

STATE OF UTAH

Comprehensive Annual Financial Report



FOR THE FISCAL YEAR ENDED JUNE 30, 2000



STATE OF UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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ACKNOWLEDGMENTS

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Special appreciation is given to all of the budget and accounting officers throughout the State whose extra time and effort made this report possible.



STATE OF UTAH
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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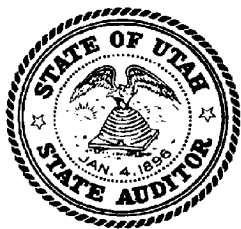
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UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Members of the Legislature
of the State of Utah and
The Honorable Michael O. Leavitt
Governor, State of Utah

We have audited the accompanying general-purpose financial statements of the State of Utah as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Utah Public Employees Group Insurance, which represents 23 percent of the assets and 58 percent of the operating revenues of the internal service funds; the Utah State Retirement Office, which represents 80 percent of the assets of the trust and agency funds, 100 percent of the additions to net assets of the pension trust funds, and 15 percent of the revenues of the expendable trust funds; the Utah Housing Finance Agency and the Workers' Compensation Fund of Utah, which combined represent 98 percent of the assets and 95 percent of the operating revenues of the proprietary component unit funds; and Utah State University, Southern Utah University, Utah Valley State College, Dixie College, and the University of Utah's hospital, health network clinics, foundations, and institutes, which combined represent 32 percent of the assets and 46 percent of the revenues and other additions of the college and university component unit funds. Those financial statements were audited by other auditors whose reports have been furnished to us; and our opinion, insofar as it relates to the amounts included for those agencies, funds, and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Utah as of June 30, 2000, and the results of its operations, the cash flows of its proprietary fund types and nonexpendable trust fund, the changes in net assets of its pension trust funds and investment trust fund, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with generally accepted accounting principles.

To the Members of the Legislature
of the State of Utah and
The Honorable Michael O. Leavitt
Governor, State of Utah
Page Two

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the State of Utah taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the State of Utah. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The statistical data listed in the table of contents were not audited by us and, accordingly, we express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2000, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Austin G. Johnson". The signature is fluid and cursive, with a long horizontal stroke at the end.

UTAH STATE AUDITOR
November 3, 2000

STATE OF UTAH

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF UTAH

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2000

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Capital Projects	Debt Service	Enterprise	Internal Service
Assets						
Cash and Cash Equivalents (Note 3)	\$ 187,595	\$ 393,249	\$ 51,794	\$ 27,198	\$ 74,454	\$ 59,000
Investments (Notes 1, 3, 16)	202,772	50,315	32,342	6,825	177,293	185,393
Receivables: (Note 1)						
Accounts (Note 16)	245,512	85,940	392	—	12,686	16,676
Notes/Mortgages	191,706	65,273	—	—	854,357	338,268
Accrued Interest	1,758	—	—	59	17,209	11,598
Designated Accrued Taxes	179,191	201,718	—	—	—	—
Unbilled	—	3,285	—	—	—	—
Due From Other Funds (Note 5)	31,669	38,753	2,139	124	1,956	12,270
Due From Component Units (Note 5)	—	—	4,475	17,556	—	—
Due From Primary Government (Note 5)	—	—	—	—	—	—
Advances to Other Funds	28,630	69	—	—	120	2,478
Inventories	702	9,019	—	—	15,094	2,950
Prepaid Items	—	—	—	—	562	6,715
Deferred Charges/Recoverable	—	—	—	—	5,059	—
Fixed Assets — net, where applicable, of accumulated depreciation (Note 1, 6)	—	—	—	—	32,831	83,789
Amount Available in Debt Service Fund	—	—	—	—	—	—
Resources to be Provided in Future Years For:						
Retirement of General Obligation Bonds	—	—	—	—	—	—
Other General Long-Term Obligations	—	—	—	—	—	—
Total Assets	\$ 1,069,535	\$ 847,621	\$ 91,142	\$ 51,762	\$ 1,191,621	\$ 719,137
Liabilities, Equity, and Other Credits						
Liabilities:						
Vouchers Payable	\$ 142,782	\$ 121,099	\$ —	\$ 53	\$ 10,230	\$ 13,504
Contracts Payable	—	—	10,427	—	259	—
Accrued Liabilities	52,183	13,478	—	25,240	48,265	5,285
Securities Lending Liability (Note 3)	—	—	—	—	—	36,294
Deposits	—	—	—	—	—	—
Due to Other Funds (Note 5)	10,611	44,879	2,715	156	13,659	19,267
Due to Component Units (Note 5)	75	—	—	—	—	277
Due to Primary Government (Note 5)	—	—	—	—	—	—
Due to Other Individuals or Groups	—	—	—	—	—	—
Due to Other Taxing Units	—	28,020	—	—	—	—
Deferred Revenue	26,607	70,018	170	17,556	7,038	2,172
Advances From Other Funds	—	2,478	—	—	—	28,819
Policy Claim Liabilities/Insurance Reserves	—	—	—	—	—	104,984
Policyholder Dividends Payable	—	—	—	—	—	—
Notes Payable (Note 8)	—	—	—	—	—	1,217
General Obligation Bonds Payable (Note 8)	—	—	—	—	—	—
Revenue Bonds Payable (Note 8)	—	—	—	—	881,467	7,265
Leave/Postemployment Benefits (Notes 1, 8)	190,318	57,831	—	—	—	—
Total Liabilities	422,576	337,803	13,312	43,005	960,918	219,084
Equity and Other Credits:						
Contributed Working Capital	—	—	—	—	50,010	322,660
Investment in Fixed Assets	—	—	—	—	—	—
Retained Earnings	—	—	—	—	180,693	177,393
Fund Balances:						
Reserved (Note 9)	463,361	189,903	96,689	5,051	—	—
Unreserved Designated (Note 9)	158,222	166,573	—	3,706	—	—
Unreserved Undesignated	25,376	153,342	(18,859)	—	—	—
Total Equity and Other Credits	646,959	509,818	77,830	8,757	230,703	500,053
Total Liabilities, Equity, and Other Credits	\$ 1,069,535	\$ 847,621	\$ 91,142	\$ 51,762	\$ 1,191,621	\$ 719,137

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)		Component Units		Total (Memorandum Only)	
Trust and Agency	General Fixed Assets	General Long-Term Obligation	Primary Government		College and University	Proprietary Funds	Reporting Entity	
			June 30, 2000	June 30, 1999			June 30, 2000	June 30, 1999
\$ 1,103,032	\$ —	\$ —	\$ 1,896,322	\$ 1,790,520	\$ 16,632	\$ 49,188	\$ 1,962,142	\$ 1,852,340
18,692,060	—	—	19,347,000	17,063,045	1,062,959	1,030,994	21,440,953	19,275,916
174,420	—	—	535,626	616,541	232,793	14,991	783,410	847,997
—	—	—	1,449,604	1,256,803	77,963	913,100	2,440,667	2,132,739
37,384	—	—	68,008	59,212	6,493	18,615	93,116	86,618
6,179	—	—	387,088	361,708	—	—	387,088	361,708
—	—	—	3,285	1,531	—	—	3,285	1,531
9,785	—	—	96,696	97,390	—	—	96,696	97,390
—	—	—	22,031	44,711	—	—	22,031	44,711
—	—	—	0	0	352	—	352	123
—	—	—	31,297	30,751	—	—	31,297	30,751
—	—	—	27,765	26,370	29,931	32	57,728	54,402
—	—	—	7,277	4,216	37,752	4,936	49,965	49,818
—	—	—	5,059	4,419	—	55,299	60,358	45,647
13,947	1,372,234	—	1,502,801	1,506,415	2,863,168	13,966	4,379,935	4,091,869
—	—	8,757	8,757	8,124	—	—	8,757	8,124
—	—	1,208,619	1,208,619	1,249,596	—	—	1,208,619	1,249,596
—	—	291,610	291,610	276,493	—	—	291,610	276,493
<u>\$ 20,036,807</u>	<u>\$ 1,372,234</u>	<u>\$ 1,508,986</u>	<u>\$ 26,888,845</u>	<u>\$ 24,397,845</u>	<u>\$ 4,328,043</u>	<u>\$ 2,101,121</u>	<u>\$ 33,318,009</u>	<u>\$ 30,507,773</u>
\$ 145,750	\$ —	\$ —	\$ 433,418	\$ 560,003	\$ 55,327	\$ 17,583	\$ 506,328	\$ 648,934
—	—	13,947	24,633	35,778	56,932	—	81,565	81,450
—	—	—	144,451	126,465	60,259	35,007	239,717	209,870
1,411,474	—	—	1,447,768	1,478,837	—	—	1,447,768	1,478,837
39	—	—	39	55	47,890	7,231	55,160	63,162
5,409	—	—	96,696	97,390	—	—	96,696	97,390
—	—	—	352	123	—	—	352	123
—	—	—	0	0	22,031	—	22,031	44,711
21,487	—	—	21,487	22,615	9,456	—	30,943	27,975
48,858	—	—	76,878	108,722	—	—	76,878	108,722
958	—	—	124,519	54,970	59,015	16,426	199,960	116,546
—	—	—	31,297	30,751	—	—	31,297	30,751
462,791	—	—	567,775	436,447	—	471,020	1,038,795	900,565
—	—	—	0	0	—	10,024	10,024	26,147
—	—	—	1,217	1,217	33,957	2,489	37,663	24,613
—	—	1,212,325	1,212,325	1,251,525	—	—	1,212,325	1,251,525
—	—	251,570	1,140,302	1,068,322	318,332	1,094,020	2,552,654	2,443,476
1,659	—	31,144	280,952	243,880	50,623	—	331,575	290,723
<u>2,098,425</u>	<u>0</u>	<u>1,508,986</u>	<u>5,604,109</u>	<u>5,517,100</u>	<u>713,822</u>	<u>1,653,800</u>	<u>7,971,731</u>	<u>7,845,520</u>
—	—	—	372,670	349,738	—	3,948	376,618	353,686
—	1,372,234	—	1,372,234	1,395,579	2,429,814	—	3,802,048	3,641,444
—	—	—	358,086	351,144	—	443,373	801,459	780,466
18,268,468	—	—	19,023,472	16,799,813	819,082	—	19,842,554	17,524,610
—	—	—	328,501	272,169	333,577	—	662,078	616,633
(330,086)	—	—	(170,227)	(287,698)	31,748	—	(138,479)	(254,586)
<u>17,938,382</u>	<u>1,372,234</u>	<u>0</u>	<u>21,284,736</u>	<u>18,880,745</u>	<u>3,614,221</u>	<u>447,321</u>	<u>25,346,278</u>	<u>22,662,253</u>
<u>\$ 20,036,807</u>	<u>\$ 1,372,234</u>	<u>\$ 1,508,986</u>	<u>\$ 26,888,845</u>	<u>\$ 24,397,845</u>	<u>\$ 4,328,043</u>	<u>\$ 2,101,121</u>	<u>\$ 33,318,009</u>	<u>\$ 30,507,773</u>

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
Revenues:				
Unrestricted:				
Sales Tax	\$ 1,369,151	\$ 3,698	\$ —	\$ —
Individual Income Tax	—	1,654,949	—	—
Corporate Tax	—	186,936	—	—
Motor and Special Fuel Tax	—	314,164	—	—
Licenses, Permits, and Fees	16,738	75,562	—	—
Investment Income	19,075	15,091	—	—
Miscellaneous Taxes and Other	211,809	3,597	—	—
Total Unrestricted	1,616,773	2,253,997	0	0
Restricted:				
Restricted Sales Tax	9,798	18,315	—	—
Federal Contracts and Grants	1,127,858	447,750	—	—
Departmental Collections	164,790	33,031	—	19,800
Aeronautics	—	26,859	—	—
Federal Mineral Lease	34,957	—	—	—
Intergovernmental Revenues	—	—	80,431	—
Investment Income	16,525	645	3,013	1,455
Premiums/Employer Taxes	—	—	—	—
Restricted Taxes	4,504	14,532	—	—
Miscellaneous	85,202	33,343	644	—
Total Restricted	1,443,634	574,475	84,088	21,255
Total Revenues	3,060,407	2,828,472	84,088	21,255
Expenditures:				
Current:				
General Government	245,940	2,361	—	—
Human Services	340,466	—	—	—
Corrections	175,198	—	—	—
Health and Environmental Quality	985,888	—	—	—
Higher Education	31,280	—	—	—
Natural Resources	97,586	—	—	—
Business, Labor, and Agriculture	46,233	322	—	—
Community and Economic Development	73,881	3,424	—	—
Employment and Family Services	285,517	—	—	—
Public Education	—	1,824,162	—	—
Transportation and Public Safety	107,554	892,130	—	—
Trust Administration and Distributions	—	—	—	—
Leave/Postemployment Benefits	12,828	4,745	—	—
Capital Outlay	—	—	191,819	—
Debt Service:				
Principal Retirement	—	—	—	88,269
Interest and Other Charges	—	—	—	70,005
Total Expenditures	2,402,371	2,727,144	191,819	158,274
Excess Revenues Over (Under) Expenditures	658,036	101,328	(107,731)	(137,019)
Other Financing Sources (Uses):				
Proceeds of Revenue Bonds/Contracts	—	—	6,333	664
Proceeds of General Obligation Bonds	—	—	38,169	—
Proceeds of Refunding Bonds	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Operating Transfers In (Note 12)	248,069	220,574	60,284	136,988
Operating Transfers Out (Note 12)	(265,429)	(346,411)	(8,801)	—
Operating Transfers to Component Units (Note 12)	(503,641)	(13)	—	—
Total Other Financing Sources (Uses)	(521,001)	(125,850)	95,985	137,652
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	137,035	(24,522)	(11,746)	633
Beginning Fund Balances	525,268	534,508	89,576	8,124
Residual Equity Transfers (Note 12)	(15,344)	(168)	—	—
Ending Fund Balances	\$ 646,959	\$ 509,818	\$ 77,830	\$ 8,757

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Types	Total (Memorandum Only)	
	Expendable Trust	
	June 30, 2000	June 30, 1999
\$ —	\$ 1,372,849	\$ 1,324,818
—	1,654,949	1,463,897
—	186,936	192,221
—	314,164	298,390
—	92,300	87,848
—	34,166	38,545
—	215,406	143,259
0	3,870,770	3,548,978
—	28,113	26,514
6,735	1,582,343	1,552,268
—	217,621	206,420
—	26,859	18,737
—	34,957	28,962
—	80,431	42,526
80,640	102,278	95,420
116,675	116,675	97,650
—	19,036	7,418
52,284	171,473	150,789
256,334	2,379,786	2,226,704
256,334	6,250,556	5,775,682
18,703	267,004	262,565
96,233	436,699	359,219
—	175,198	154,725
17,600	1,003,488	949,700
204	31,484	28,856
1,631	99,217	94,479
5,781	52,336	50,137
2,353	79,658	77,433
113,844	399,361	408,635
562	1,824,724	1,777,432
—	999,684	1,078,923
14,495	14,495	17,265
—	17,573	23,886
—	191,819	190,496
—	88,269	82,160
—	70,005	71,380
271,406	5,751,014	5,627,291
(15,072)	499,542	148,391
—	6,997	33,892
—	38,169	131,615
—	0	624,032
—	0	(621,295)
348	666,263	630,652
(11,752)	(632,393)	(599,309)
—	(503,654)	(483,901)
(11,404)	(424,618)	(284,314)
(26,476)	74,924	(135,923)
642,427	1,799,903	1,940,363
1,232	(14,280)	(4,537)
\$ 617,183	\$ 1,860,547	\$ 1,799,903

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL (BUDGETARY BASIS) GENERAL FUND, SPECIAL REVENUE FUNDS, AND DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Unrestricted:			
Sales Tax	\$ 1,359,871	\$ 1,369,637	\$ 9,766
Individual Income Tax	—	—	0
Corporate Tax	—	—	0
Motor and Special Fuel Tax	—	—	0
Licenses, Permits, and Fees	14,485	16,759	2,274
Investment Income	16,000	19,534	3,534
Miscellaneous Taxes and Other	148,778	211,809	63,031
Total Unrestricted	1,539,134	1,617,739	78,605
Restricted:			
Restricted Sales Tax	9,798	9,798	0
Federal Contracts and Grants	1,133,188	1,133,188	0
Departmental Collections	173,266	183,551	10,285
Higher Education Dedicated Credits	170,253	170,253	0
Aeronautics	—	—	0
Federal Mineral Lease	33,000	34,957	1,957
Investment Income	11,909	16,525	4,616
Restricted Taxes	4,504	4,504	0
Miscellaneous	298,090	301,814	3,724
Total Restricted	1,834,008	1,854,590	20,582
Total Revenues	3,373,142	3,472,329	99,187
Intrafund Eliminations		(411,922)	
Total Revenues GAAP Basis		3,060,407	
Expenditures:			
Current:			
General Government	275,829	255,578	20,251
Human Services	512,756	512,662	94
Corrections	180,038	175,803	4,235
Health and Environmental Quality	1,033,232	1,025,242	7,990
Higher Education	709,375	708,496	879
Natural Resources	118,963	100,654	18,309
Business, Labor, and Agriculture	57,249	46,738	10,511
Community and Economic Development	88,202	76,135	12,067
Employment and Family Services	291,924	291,806	118
Public Education	—	—	0
Transportation and Public Safety	113,946	108,435	5,511
Leave/Postemployment Benefits	12,828	12,828	0
Debt Service:			
Principal Retirement	—	—	0
Interest and Other Charges	—	—	0
Total Expenditures	3,394,342	3,314,377	79,965
Higher Education and Trust Appropriated Expenditures Included as Transfers	(500,084)	(500,084)	
Intrafund Eliminations		(411,922)	
Total Expenditures GAAP Basis		2,402,371	
Excess Revenues Over (Under) Expenditures	478,884	658,036	179,152
Other Financing Sources (Uses):			
Proceeds of Revenue Bonds/Contracts	—	—	0
Operating Transfers In (Note 12)	248,069	248,069	0
Operating Transfers Out (Note 12)	(265,429)	(265,429)	0
Operating Transfers to Component Units (Note 12)	(503,641)	(503,641)	0
Total Other Financing Sources (Uses)	(521,001)	(521,001)	0
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	(42,117)	137,035	179,152
Beginning Fund Balances	525,268	525,268	0
Residual Equity Transfers (Note 12)	(15,344)	(15,344)	0
Ending Fund Balances	\$ 467,807	\$ 646,959	\$ 179,152

The accompanying notes are an integral part of the financial statements.

Special Revenue Funds			Debt Service Fund		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,557	\$ 3,698	\$ (859)	\$ —	\$ —	\$ 0
1,560,230	1,654,949	94,719	—	—	0
191,415	186,936	(4,479)	—	—	0
302,000	314,164	12,164	—	—	0
72,382	75,562	3,180	—	—	0
7,601	15,091	7,490	—	—	0
528	3,597	3,069	—	—	0
<u>2,138,713</u>	<u>2,253,997</u>	<u>115,284</u>	<u>0</u>	<u>0</u>	<u>0</u>
18,315	18,315	0	—	—	0
447,750	447,750	0	—	—	0
55,700	55,871	171	19,800	19,800	0
—	—	0	—	—	0
26,859	26,859	0	—	—	0
—	—	0	—	—	0
645	645	0	1,455	1,455	0
14,532	14,532	0	—	—	0
40,437	40,299	(138)	—	—	0
<u>604,238</u>	<u>604,271</u>	<u>33</u>	<u>21,255</u>	<u>21,255</u>	<u>0</u>
<u>2,742,951</u>	<u>2,858,268</u>	<u>115,317</u>	<u>21,255</u>	<u>21,255</u>	<u>0</u>
	(29,796)			—	
	<u>2,828,472</u>			<u>21,255</u>	
2,361	2,361	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
—	—	0	—	—	0
322	322	0	—	—	0
4,149	3,424	725	—	—	0
—	—	0	—	—	0
1,867,205	1,835,103	32,102	—	—	0
940,610	910,985	29,625	—	—	0
4,745	4,745	0	—	—	0
—	—	0	88,269	88,269	0
—	—	0	70,005	70,005	0
<u>2,819,392</u>	<u>2,756,940</u>	<u>62,452</u>	<u>158,274</u>	<u>158,274</u>	<u>0</u>
	(29,796)			—	
	<u>2,727,144</u>			<u>158,274</u>	
<u>(76,441)</u>	<u>101,328</u>	<u>177,769</u>	<u>(137,019)</u>	<u>(137,019)</u>	<u>0</u>
—	—	0	664	664	0
220,574	220,574	0	136,988	136,988	0
(346,705)	(346,411)	294	—	—	0
(13)	(13)	0	—	—	0
<u>(126,144)</u>	<u>(125,850)</u>	<u>294</u>	<u>137,652</u>	<u>137,652</u>	<u>0</u>
(202,585)	(24,522)	178,063	633	633	0
534,508	534,508	0	8,124	8,124	0
(168)	(168)	0	—	—	0
<u>\$ 331,755</u>	<u>\$ 509,818</u>	<u>\$ 178,063</u>	<u>\$ 8,757</u>	<u>\$ 8,757</u>	<u>\$ 0</u>

STATE OF UTAH

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCES — ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
Operating Revenues:			
Investment Earnings	\$ 13,695	\$ 11,691	\$ 17,856
Liquor:			
Sales	116,576	—	—
Licenses, Permits, and Fees	831	—	—
Charges for Services/Premiums/Royalties	26,668	371,698	27,623
Interest on Notes/Mortgages	55,003	7,792	—
Federal Reinsurance and Allowances	21,117	—	—
Miscellaneous	53	—	—
Total Operating Revenues	233,943	391,181	45,479
Cost of Goods Sold	85,450	—	—
Gross Profit	148,493	391,181	45,479
Operating Expenses:			
Administration	46,893	36,556	—
Materials and Services for Resale	—	45,509	—
Grants	1,762	10,676	—
Payments on Loan Guarantees	7,970	—	—
Rentals and Leases	947	3,541	—
Maintenance	1,103	15,052	—
Interest	43,042	444	—
Depreciation	1,491	16,522	—
Benefit Claims	—	238,066	—
Policyholder Dividends	—	11,075	—
Supplies and Other Miscellaneous	1,414	30,321	—
Total Operating Expenses	104,622	407,762	0
Total Operating Income (Loss)	43,871	(16,581)	45,479
Non-Operating Income (Expenses):			
Investment Earnings	2,433	—	—
Federal Grants/Returns	—	2,558	—
Gain (Loss) on Sale of Fixed Assets	(24)	(452)	5,597
Tax Revenues	1,727	8,979	—
Interest Expense	(628)	(57)	—
Other Expenses	—	(769)	—
Total Non-Operating Income (Expenses)	3,508	10,259	5,597
Income (Loss) Before Operating Transfers	47,379	(6,322)	51,076
Operating Transfers In (Note 12)	2,750	392	12
Operating Transfers From Primary Government (Note 12)	—	—	—
Operating Transfers Out (Note 12)	(29,266)	(7,758)	—
Net Income (Loss)	20,863	(13,688)	51,088
Beginning Retained Earnings/Fund Balances	160,062	191,082	323,265
Adjustment to Beginning Retained Earnings/ Fund Balances (Note 2)	—	—	(11,746)
Beginning Retained Earnings/Fund Balances as Adjusted	160,062	191,082	311,519
Residual Equity Transfers (Note 12)	(232)	(1)	—
Ending Retained Earnings/Fund Balances	\$ 180,693	\$ 177,393	\$ 362,607

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 2000	June 30, 1999	Units	June 30, 2000	June 30, 1999
\$ 43,242	\$ 45,689	\$ 38,690	\$ 81,932	\$ 126,669
116,576	108,080	—	116,576	108,080
831	822	—	831	822
425,989	364,795	97,636	523,625	460,457
62,795	59,945	58,672	121,467	118,385
21,117	18,856	—	21,117	18,856
53	520	9,006	9,059	6,907
670,603	598,707	204,004	874,607	840,176
85,450	78,250	—	85,450	78,250
585,153	520,457	204,004	789,157	761,926
83,449	86,378	44,862	128,311	129,338
45,509	38,988	—	45,509	38,988
12,438	351	—	12,438	351
7,970	11,632	—	7,970	11,632
4,488	3,618	—	4,488	3,618
16,155	12,615	560	16,715	13,245
43,486	34,514	61,706	105,192	97,890
18,013	19,015	2,475	20,488	21,905
238,066	178,654	80,434	318,500	244,167
11,075	4,828	5,303	16,378	30,278
31,735	37,605	713	32,448	38,248
512,384	428,198	196,053	708,437	629,660
72,769	92,259	7,951	80,720	132,266
2,433	1,288	1,084	3,517	2,396
2,558	166	44	2,602	213
5,121	55,068	—	5,121	55,068
10,706	9,405	—	10,706	9,405
(685)	(578)	—	(685)	(578)
(769)	(2,061)	367	(402)	(2,013)
19,364	63,288	1,495	20,859	64,491
92,133	155,547	9,446	101,579	196,757
3,154	1,899	—	3,154	1,899
0	0	4,605	4,605	4,755
(37,024)	(33,242)	—	(37,024)	(33,242)
58,263	124,204	14,051	72,314	170,169
674,409	538,459	429,322	1,103,731	900,371
(11,746)	0	—	(11,746)	21,445
662,663	538,459	429,322	1,091,985	921,816
(233)	0	—	(233)	0
\$ 720,693	\$ 662,663	\$ 443,373	\$ 1,164,066	\$ 1,091,985

STATE OF UTAH

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Customers/Loan Interest/Fees/Premiums/Royalties	\$ 207,283	\$ 242,155	\$ 25,242
Receipts from Loan Maturities	122,395	17,189	—
Receipts of Federal Reinsurance and Allowances	19,537	—	—
Receipts from State Customers	9,369	135,663	—
Student Loan Disbursements Received from Lenders	174,392	—	—
Student Loan Disbursements Sent to Schools	(174,416)	—	—
Payments to Suppliers/Claims/Grants	(111,885)	(309,163)	—
Disbursements for Loans Receivable	(219,415)	(33,866)	—
Payments on Loan Guarantees	(13,214)	—	—
Payments for Employee Services and Benefits	(24,367)	(34,520)	—
Payments to State Suppliers	(1,363)	(30,618)	(19)
Payments of Sales, School Lunch, and Premium Taxes	(22,534)	—	—
Payments of Policyholder Dividends	—	(11,075)	—
Net Cash Provided (Used) by Operating Activities	(34,218)	(24,235)	25,223
Cash Flows from Noncapital Financing Activities:			
Borrowings Under Revolving Loans	6,058	—	—
Repayments Under Revolving Loans	(2,716)	—	—
Receipts from Bonds, Notes, Advances, and Deposits	125,677	10,020	—
Payments of Bonds, Notes, Advances, Deposits, and Retained Earnings	(50,800)	(14,066)	—
Interest Paid on Bonds, Notes, and Financing Costs	(44,994)	(464)	—
Other Noncapital Financing Revenues	1,727	11,455	—
Operating Transfers In from Other Funds	2,750	392	12
Operating Transfers In from Primary Government	—	—	—
Operating Transfers Out to Other Funds	(29,266)	(7,758)	—
Equity Transfers In from Other Funds	—	11,950	—
Equity Transfers Out to Other Funds	(1,956)	(338)	—
Net Cash Provided (Used) by Noncapital Financing Activities	6,480	11,191	12
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Bond and Note Debt Issuance/Grants	854	—	—
Proceeds from Disposition of Capital Assets	249	3,158	5,608
Federal Grants	—	90	—
Principal Paid on Debt and Contract Maturities	(559)	(35)	—
Acquisition and Construction of Capital Assets	(5,679)	(23,500)	—
Interest Paid on Bonds, Notes, and Capital Leases	(567)	(58)	—
Transfers In from Other Funds	878	4,000	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,824)	(16,345)	5,608
Cash Flows from Investing Activities:			
Proceeds from the Sale and Maturity of Investments	369,730	40,271	—
Receipts of Interest and Dividends from Investments	14,702	13,223	6,283
Payments to Purchase Investments	(346,329)	(20,799)	(41,452)
Net Cash Provided (Used) by Investing Activities	38,103	32,695	(35,169)
Net Increase (Decrease) in Cash and Cash Equivalents	5,541	3,306	(4,326)
Beginning Cash and Cash Equivalents	68,913	55,694	24,671
Ending Cash and Cash Equivalents	\$ 74,454	\$ 59,000	\$ 20,345

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 2000	June 30, 1999	Units	June 30, 2000	June 30, 1999
\$ 474,680	\$ 405,514	\$ 163,204	\$ 637,884	\$ 569,269
139,584	146,452	141,838	281,422	357,871
19,537	24,207	—	19,537	24,207
145,032	135,301	4,270	149,302	139,845
174,392	172,255	—	174,392	172,255
(174,416)	(172,344)	—	(174,416)	(172,344)
(421,048)	(337,944)	(99,050)	(520,098)	(426,291)
(253,281)	(239,809)	(257,024)	(510,305)	(408,064)
(13,214)	(17,916)	—	(13,214)	(17,916)
(58,887)	(55,661)	(28,751)	(87,638)	(81,510)
(32,000)	(29,515)	—	(32,000)	(29,515)
(22,534)	(19,493)	(8,729)	(31,263)	(28,191)
(11,075)	0	(20,736)	(31,811)	(38,300)
(33,230)	11,047	(104,978)	(138,208)	61,316
6,058	2,716	—	6,058	2,716
(2,716)	(10,235)	(162)	(2,878)	(10,395)
135,697	221,037	294,419	430,116	477,557
(64,866)	(35,601)	(264,407)	(329,273)	(327,422)
(45,458)	(37,232)	(61,106)	(106,564)	(104,250)
13,182	9,460	63	13,245	9,497
3,154	1,882	—	3,154	1,882
0	0	4,605	4,605	4,755
(37,024)	(33,242)	—	(37,024)	(33,242)
11,950	3,849	—	11,950	3,849
(2,294)	(897)	—	(2,294)	(897)
17,683	121,737	(26,588)	(8,905)	24,050
854	5,903	—	854	5,903
9,015	61,939	47	9,062	61,949
90	150	—	90	150
(594)	(3,992)	—	(594)	(4,004)
(29,179)	(36,205)	(2,216)	(31,395)	(38,561)
(625)	(584)	—	(625)	(584)
4,878	1,601	—	4,878	1,601
(15,561)	28,812	(2,169)	(17,730)	26,454
410,001	428,531	864,299	1,274,300	1,278,630
34,208	24,230	63,030	97,238	90,645
(408,580)	(636,205)	(773,869)	(1,182,449)	(1,541,989)
35,629	(183,444)	153,460	189,089	(172,714)
4,521	(21,848)	19,725	24,246	(60,894)
149,278	171,126	29,463	178,741	239,635
\$ 153,799	\$ 149,278	\$ 49,188	\$ 202,987	\$ 178,741

Continues

STATE OF UTAH

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUND, AND DISCRETELY PRESENTED COMPONENT UNITS

Continued

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non- expendable Trust
Reconciliation of Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Total Operating Income (Loss)	\$ 43,871	\$ (16,581)	\$ 45,479
Adjustments to Reconcile Total Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Not Requiring Cash	1,491	16,522	—
Provision for Uncollectible Accounts	—	—	—
Interest Expense for Noncapital and Capital Financing	42,557	444	—
Revenue from Non-Operating Investment and Other Activities	(6,827)	(11,691)	(17,856)
Miscellaneous Gains, Losses, and Other Items Not Requiring Cash	3,344	—	—
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable/Due From Other Funds	(5,136)	(2,175)	(2,096)
(Increase) Decrease in Accrued Interest/Notes Receivable	(112,973)	(17,617)	(285)
(Increase) Decrease in Inventories	(1,773)	(430)	—
(Increase) Decrease in Prepaid Items	14	(3,295)	—
(Decrease) Increase in Vouchers Payable/Accrued Liabilities/ Due to Other Funds/Dividends Payable	883	3,765	(19)
(Decrease) Increase in Deferred Revenue/Deposits	331	616	—
(Decrease) Increase in Policy Claim Liabilities	—	6,207	—
(Decrease) Increase in Notes Payable	—	—	—
Net Cash Provided (Used) by Operating Activities	<u>\$ (34,218)</u>	<u>\$ (24,235)</u>	<u>\$ 25,223</u>
Noncash Investing, Capital, and Financing Activities:			
Contributed Capital/Operating Assets Transferred In (Out)	\$ (254)	\$ 8,419	\$ —
Increase (Decrease) in Fair Market Value of Investments	—	2,277	11,573
Total Noncash Investing, Capital, and Financing Activities	<u>\$ (254)</u>	<u>\$ 10,696</u>	<u>\$ 11,573</u>

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

	Trust and Agency
Nonexpendable Trust	\$ 20,345
Proprietary Component Units	—
Other Trust and Agency	1,082,687
Other Component Units	—
Total Cash and Cash Equivalents per Combined Balance Sheet	<u>\$ 1,103,032</u>

The accompanying notes are an integral part of the financial statements.

Total (Memorandum Only)		Proprietary Fund Types	Total (Memorandum Only)	
Primary Government		Component	Reporting Entity	
June 30, 2000	June 30, 1999	Units	June 30, 2000	June 30, 1999
\$ 72,769	\$ 92,259	\$ 7,951	\$ 80,720	\$ 132,266
18,013	19,015	2,475	20,488	21,905
0	0	490	490	929
43,001	33,997	58,170	101,171	92,611
(36,374)	(35,574)	(60,412)	(96,786)	(99,109)
3,344	2,976	24,212	27,556	(10,739)
(9,407)	(4,105)	(10,533)	(19,940)	(13,267)
(130,875)	(105,096)	(114,597)	(245,472)	(61,061)
(2,203)	(1,734)	—	(2,203)	(1,734)
(3,281)	(2,318)	(1,902)	(5,183)	(2,800)
4,629	(934)	(17,573)	(12,944)	(8,840)
947	721	(161)	786	(1,666)
6,207	10,948	6,902	13,109	11,929
0	892	—	0	892
<u>\$ (33,230)</u>	<u>\$ 11,047</u>	<u>\$ (104,978)</u>	<u>\$ (138,208)</u>	<u>\$ 61,316</u>
\$ 8,165	\$ 0	\$ —	\$ 8,165	\$ 0
13,850	22,914	(37,965)	(24,115)	22,914
<u>\$ 22,015</u>	<u>\$ 22,914</u>	<u>\$ (37,965)</u>	<u>\$ (15,950)</u>	<u>\$ 22,914</u>

STATE OF UTAH

STATEMENT OF CHANGES IN NET ASSETS DEFINED BENEFIT PENSION PLANS, OTHER PENSION TRUST FUNDS, AND INVESTMENT TRUST FUND

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System
Additions:				
Contributions:				
Member	\$ 8,525	\$ 10,829	\$ 3,900	\$ 9,352
Employer	10,840	338,704	45,110	1,221
Court Fees and Fire Insurance Premiums	—	—	—	4,516
Pool Participant Deposits	—	—	—	—
Total Contributions and Deposits	19,365	349,533	49,010	15,089
Investment Income:				
Net Appreciation (Depreciation) in Fair Value of Investments	120,593	1,152,730	143,483	60,982
Interest, Dividends, and Other Investment Income	29,743	283,353	35,379	15,039
Investment Trust Earnings	—	—	—	—
Total Investment Income	150,336	1,436,083	178,862	76,021
Less Investment Expenses	1,542	14,682	1,835	779
Less Investment Administrative Expenses	—	—	—	—
Net Investment Income	148,794	1,421,401	177,027	75,242
Other Financing Sources	1,770	28,034	2,305	466
Total Additions	169,929	1,798,968	228,342	90,797
Deductions:				
Retirement Benefits	37,371	207,798	32,245	12,950
Cost of Living Benefits	20,647	36,031	5,494	3,116
Supplemental Retirement Benefits	3,123	—	810	889
Refunds	4,232	4,343	731	292
Earnings Distribution	—	—	—	—
Administrative Expenses	789	7,093	916	361
Pool Participant Withdrawals	—	—	—	—
Other Financing Uses	27,399	4,703	7	596
Total Deductions	93,561	259,968	40,203	18,204
Net Increase (Decrease) From Operations	76,368	1,539,000	188,139	72,593
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — Beginning of Year	954,147	8,572,101	1,073,781	460,190
Fund Balances/Net Assets Held in Trust for Pension Benefits and External Investment Fund Participants — End of Year	\$ 1,030,515	\$ 10,111,101	\$ 1,261,920	\$ 532,783

The accompanying notes are an integral part of the financial statements.

Judges System	Governors and Legislative Pension Plan	Deferred Compensation 401(k) Plan	Public Treasurer's Investment Fund
\$ 8	\$ —	\$ 124,948	\$ —
1,637	—	—	—
1,681	—	—	—
—	—	—	4,226,395
<u>3,326</u>	<u>0</u>	<u>124,948</u>	<u>4,226,395</u>
9,766	1,424	168,131	(5)
2,407	351	3,480	—
—	—	—	165,938
<u>12,173</u>	<u>1,775</u>	<u>171,611</u>	<u>165,933</u>
125	18	1,236	—
—	—	—	107
<u>12,048</u>	<u>1,757</u>	<u>170,375</u>	<u>165,826</u>
116	17	47,125	—
<u>15,490</u>	<u>1,774</u>	<u>342,448</u>	<u>4,392,221</u>
2,590	450	—	—
570	133	—	—
—	—	—	—
—	2	44,682	—
—	—	—	166,037
59	6	2,632	—
—	—	—	4,078,014
—	—	47,128	—
<u>3,219</u>	<u>591</u>	<u>94,442</u>	<u>4,244,051</u>
12,271	1,183	248,006	148,170
<u>73,650</u>	<u>10,976</u>	<u>1,011,435</u>	<u>2,516,582</u>
<u>\$ 85,921</u>	<u>\$ 12,159</u>	<u>\$ 1,259,441</u>	<u>\$ 2,664,752</u>

STATE OF UTAH

COMBINED STATEMENT OF CHANGES IN FUND BALANCES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Years Ended June 30, 2000 and 1999

(Expressed in Thousands)

	June 30, 2000	June 30, 1999
Revenues and Other Additions:		
Unrestricted Educational and General Revenues	\$ 588,303	\$ 552,101
Auxiliary Enterprises Revenues	130,263	120,078
Hospital Sales and Services	326,214	321,046
Foundations and Institutes	139,663	126,555
Tuition and Fees — Restricted	32,365	26,803
Private Gifts, Grants, and Contracts	212,411	190,278
Governmental Grants and Contracts	396,116	352,381
Federal Appropriations	4,336	4,346
Investment and Endowment Income	67,527	51,003
Interest on Loans Receivable	1,322	1,237
Expended for Plant Facilities (including \$88,915 from current funds)	281,315	278,240
Bond Proceeds	—	15,017
Retirement of Indebtedness (including \$869 from current funds)	29,813	46,872
Other	9,206	11,874
Total Revenues and Other Additions	<u>2,218,854</u>	<u>2,097,831</u>
Expenditures and Other Deductions:		
Educational and General Expenditures	1,528,146	1,446,176
Auxiliary Enterprises Expenditures	123,805	116,943
Hospital Expenditures	333,915	315,020
Foundations and Institutes	120,497	103,241
Indirect Costs Recovered	56,382	52,516
Refunded to Grantors	22	131
Loan Cancellations and Write-Offs	1,417	1,095
Administrative and Collection Costs	1,459	1,199
Expended for Plant Facilities (including noncapitalized expenditures of \$10,884)	203,284	201,811
Retirement of Indebtedness	28,944	46,522
Interest on Indebtedness	19,902	17,397
Increase in Debt	3,072	16,231
Disposal of Plant Facilities	48,181	147,602
Other	3,604	2,889
Total Expenditures and Other Deductions	<u>2,472,630</u>	<u>2,468,773</u>
Transfers Among Funds:		
Operating Transfers In from Primary Government (Note 12)	500,049	479,146
Net Increase (Decrease) in Fund Balances	<u>246,273</u>	<u>108,204</u>
Beginning Fund Balances	3,348,238	3,240,034
Residual Equity Transfers (Note 12)	19,710	—
Ending Fund Balances	<u>\$ 3,614,221</u>	<u>\$ 3,348,238</u>

The accompanying notes are an integral part of the financial statements.

STATE OF UTAH

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES COMPONENT UNITS — COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Total Unrestricted	Total Restricted	Total Current Funds	
			June 30, 2000	June 30, 1999
Revenues:				
Educational and General:				
Tuition and Fees	\$ 227,984	\$ 15,915	\$ 243,899	\$ 226,889
Federal Appropriations	—	4,214	4,214	4,094
Governmental Grants and Contracts	59,299	261,353	320,652	315,428
Private Gifts, Grants, and Contracts	12,172	116,257	128,429	103,909
Investment and Endowment Income	18,880	14,298	33,178	29,351
Sales and Services of Educational Departments	261,458	5,735	267,193	260,041
Other	8,510	3,974	12,484	14,933
Total Educational and General Revenues	588,303	421,746	1,010,049	954,645
Hospital Sales and Services	326,214	—	326,214	321,046
Auxiliary Enterprises Revenues	130,263	—	130,263	120,078
Total Revenues	1,044,780	421,746	1,466,526	1,395,769
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	359,859	66,926	426,785	408,678
Research	27,654	207,045	234,699	225,461
Public Service	264,093	89,527	353,620	336,857
Academic Support	97,251	25,009	122,260	114,314
Student Services	54,100	12,329	66,429	65,438
Institution Support	131,368	10,008	141,376	124,810
Operation and Maintenance of Plant	87,802	3,879	91,681	82,731
Student Aid	23,310	68,169	91,479	88,934
Total Educational and General Expenditures	1,045,437	482,892	1,528,329	1,447,223
Hospital Expenditures	333,846	69	333,915	315,020
Auxiliary Enterprises Expenditures	122,442	1,363	123,805	116,943
Mandatory Transfers, Net Out (In)	47,639	(3,253)	44,386	23,695
Total Expenditures and Mandatory Transfers	1,549,364	481,071	2,030,435	1,902,881
Other Transfers and Additions (Deductions):				
Excess of Restricted Receipts Over				
(Under) Transfers to Revenues	—	21,887	21,887	4,771
Refunded to Grantors	—	(21)	(21)	(131)
Nonmandatory Transfers, Net	26,298	(13,483)	12,815	(9,526)
Operating Transfers from Primary				
Government (Note 12)	437,455	62,581	500,036	479,146
Other	(2,207)	608	(1,599)	200
Total Other Transfers and Additions	461,546	71,572	533,118	474,460
Net Increase (Decrease) in Fund Balances	\$ (43,038)	\$ 12,247	\$ (30,791)	\$ (32,652)

The accompanying notes are an integral part of the financial statements.

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STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

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STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Utah have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of June 30, 2000, for the year then ended. The financial statements include the various departments, agencies, and other organizational units governed by the Utah State Legislature and/or Constitutional Officers of the State of Utah.

A. Reporting Entity

For financial reporting purposes, the State of Utah has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The State has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by generally accepted accounting principles, these financial statements include the State of Utah (Primary Government) and its component units. Complete financial statements of the individual component units, which issued separate financial statements as noted below, can be obtained from their respective administrative offices or from the Utah State Auditor's Office, 211 State Capitol, Salt Lake City, UT 84114.

Entities such as the local school districts and local authorities of various kinds that may meet only one of the criteria for inclusion in this report have not been included. (The State's support of the public education system is reported in the Uniform School Fund, a Special Revenue Fund.)

The following state agencies and funds had separately issued financial statements and were audited by the Utah State Auditor's Office, or by other independent auditors:

- **Applied Technology Centers (Special Revenue Fund)** — There are five applied technology centers in the State which offer vocational education in various subjects. They are Bridgerland, Davis, Ogden-Weber, Uintah Basin, and Wasatch Front South. The Centers receive annual state appropriations for their operations and are included as an integral part of the Uniform School Fund. The individual Centers were audited by the State Auditor or other independent auditors, and individual reports, dated from August 16, 2000, to August 30, 2000, have been previously issued under separate cover.
- **Student Assistance Programs (Enterprise Fund)** — This fund presents combined information from two student assistance programs administered by the State Board of Regents – Utah Higher Education Assistance Authority: the Student Loan Guarantee Program, which guarantees repayment of eligible student loans; and the Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances. Both programs are administered by the State Board of Regents. The Regents are appointed by the Governor, subject to Senate approval. The Board of Regent's operations and administrative expenses are subject to legislative and executive control. Their reports, dated September 1, 2000, have been previously issued under separate cover.
- **Utah Dairy Commission (Enterprise Fund)** — The Commission is an independent state agency which promotes and advertises dairy products. It also conducts research and provides nutritional education about dairy products. The Commission's voting membership is comprised of representatives from the dairy industry, and its funding is from an assessment imposed on all milk produced and sold through commercial channels in the State. The Commission was audited by other independent auditors for the period ended December 31, 1999, and their report, dated May 1, 2000, has been previously issued under separate cover.
- **Utah Public Employees Group Insurance (Internal Service Fund)** — This fund provides health and life insurance and is financed by employee and employer contributions from the State and other participating political subdivisions. The Fund is administered by the State Retirement Office, an independent state agency subject to legislative and executive department budgetary examination and comment. The Fund was audited by other independent auditors and their report, dated November 2, 2000, has been previously issued under separate cover.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

- **Utah State Retirement Office (Pension Trust Funds)** — The State Retirement Office administers pension funds for various public employee retirement systems of the State and its political subdivisions. The Utah State Retirement Office is an independent state agency. It is subject to legislative and executive department budgetary examination and comment. A seven member board is established by statute to administer the Office and serve as investment trustees of the retirement funds. Six members are appointed by the Governor with the advice and consent of the Senate, while the State Treasurer serves as the seventh member. The funds were audited by other independent auditors for the period ended December 31, 1999, and their report, dated February 25, 2000, has been previously issued under separate cover.

Blended Component Units

Blended component units are entities which are legally separate from the State but which are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

Utah State Building Ownership Authority (various fund types and account groups) — The Utah State Building Ownership Authority was created by the Legislature as a body politic and corporate for the purpose of financing, owning, leasing, operating, or encumbering facilities to meet the needs of state government. It is comprised of seven members who are appointed by the Governor.

Discrete Component Units

Discrete component units are entities which are legally separate from the State but which are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units' columns of the combined financial statements include the financial data of these entities:

- **Utah Housing Finance Agency (Proprietary Fund Type)** — This agency is a body politic and corporate, composed of nine members. Three of the members are state officials and six members are citizens appointed by the Governor. The Agency issues bonds to provide capital for housing and home mortgages, especially for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees. The Fund was audited by other independent auditors, and their report, dated August 18, 2000, has been previously issued under separate cover.
- **Workers' Compensation Fund (Proprietary Fund Type)** — The Workers' Compensation Fund is a nonprofit quasi-governmental corporation. It provides workers' compensation insurance to private and public employers and is financed through member (employer) premiums. The Fund is governed by a board of directors appointed by the Governor. Administrative operations and budgets are reviewed by the Governor and Legislature. The Fund is reported for the period ended December 31, 1999, and was audited by other independent auditors. Their report, dated February 23, 2000, has been previously issued under separate cover.
- **Utah Technology Finance Corporation (Proprietary Fund Type)** — This is a nonprofit organization which encourages and assists in the development, promotion, and growth of technological and small businesses throughout the State. The Corporation has received state appropriations for working capital. The board of trustees is appointed by the Governor and approved by the Senate. Their report, dated August 11, 2000, has been previously issued under separate cover.
- **Comprehensive Health Insurance Pool (Proprietary Fund Type)** — The Pool is a nonprofit quasi-governmental entity established within the State Insurance Department. It provides access to health insurance coverage for residents of the State who are considered uninsurable. The Pool is governed by a board which is appointed by the Governor with the advice and consent of the Senate. The Pool is reported for the period ended December 31, 1999, and their report, dated March 24, 2000, has been previously issued under separate cover.
- **Heber Valley Historic Railroad Authority (Proprietary Fund Type)** — The Authority is an independent state agency which maintains and operates a scenic and historic railroad in and around the Heber Valley. The majority of the Authority's board is appointed by the State (three members appointed directly by the Governor and approved by the Senate and the Governor's executive director of the Department of Transportation) plus three local government officials from the Heber Valley. The State is able to impose its will on the Authority. Their compilation report, dated September 28, 2000, has been previously issued under separate cover.
- **Utah Science Center Authority (Proprietary Fund Type)** — The Authority is an independent state agency created to provide a means to foster the development of science, arts, tourism, and cultural and educational facilities in order to further the welfare of the citizens of the State and its economic growth. The majority of the Authority's board is appointed by the Governor with consent of the Senate. The State is able to impose its will on the Authority. The Authority's activity through June 30, 2000, is included in this report.
- **Utah State Fair Corporation (Proprietary Fund Type)** — This is a nonprofit public corporation created by the Legislature on July 1, 1995. The functions were previously accounted for in the Department of Community and Economic Development.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

The Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events. It is governed by a board of directors appointed by the Governor and approved by the Senate. It receives state appropriations for operations and working capital. Their report, dated July 21, 2000, has been previously issued under separate cover.

- **Colleges and Universities (College and University Funds)** — The University of Utah, Utah State University, Weber State University, Southern Utah University, Salt Lake Community College, Utah Valley State College, Dixie College, College of Eastern Utah, and Snow College are individually presented in the College and University Funds. Each college and university is governed by a board of trustees. Each board of trustees is comprised of individuals appointed by the Governor and approved by the Senate, the president of the institution's alumni association, and the president of the institution's associated students. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. The colleges and universities were audited by the State Auditor or other independent auditors, and individual reports, dated from September 28, 2000, to October 17, 2000, have been previously issued under separate cover.

B. Fund Accounting

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, fund balances, equities, revenues, expenses, and expenditures.

The State uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Utah are classified in three fund categories, two account groups, and component units, as described below. The fund categories include governmental funds, proprietary funds, and fiduciary funds. Account groups are composed of general fixed assets and general long-term obligations.

1. The State's governmental funds account for the State's general activities:

The General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. The services accounted for in the General Fund include, among others, general government, public safety, judicial, corrections, public health and welfare, business licensing and regulation, and higher education. Resources obtained from federal grants and used for services provided by General Fund entities, consistent with applicable legal requirements, are recorded in the General Fund.

The Special Revenue Funds (Uniform School Fund, Transportation Fund, Centennial Highway Fund, State Capitol Fund, Sports Authority Fund, Rural Development Fund, and Consumer Education Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds include transactions related to the Offices of Education and Rehabilitation, the Department of Transportation, the Capitol Preservation Board, the Utah Sports Authority, the Department of Community and Economic Development, and the Department of Commerce – Securities Division and Consumer Protection Division.

The Capital Projects Fund accounts for resources obtained and used for the acquisition, construction, or improvement of certain capital facilities (except those financed by proprietary funds). Such resources are derived principally from proceeds of general obligation bond issues, revenue bonds, and operating transfers from the State's General Fund. The State enters into long-term contracts for the construction of major capital projects and records the commitments as encumbrances (See Note 6.)

The Debt Service Fund accounts for resources obtained and used for the payment of interest and principal on general long-term debt obligations and on general revenue bonds which are funded from general governmental fund operations.

2. The proprietary funds account for the State's business-type activities:

The Enterprise Funds account for operations similar to a private business enterprise. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The intent of the State is that the cost of providing the goods or services to the general public on a continuing basis should be financed primarily through user charges.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

The Internal Service Funds are a variety of independent operations that provide goods and/or services to other state departments or other political subdivisions on a cost reimbursement basis. The largest funds are the Water Resources, Employees Group Insurance, Permanent Community Impact Loan, and Risk Management Funds. The Water Resources Loan Fund provides loans to local governments, water districts, and other entities for upgrading water storage facilities and related structures. The Employees Group Insurance Fund offers several health insurance programs to state and local government employees. The Community Impact Loan Fund provides loans to local governments to alleviate social, economic, and public financial impacts resulting from the development of the State's natural resources. Grants authorized by the Permanent Community Impact Fund Board amounting to \$7.6 million were transferred to and expended in the General Fund during the year. The Risk Management Fund provides a broad range of property and liability insurance coverage to most state agencies and to several voluntarily participating school districts.

3. The fiduciary funds account for assets held by the State in a trustee capacity or as an agent for other individuals, other governmental units, or other funds:

The Pension Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Retirement Systems.

The Investment Trust Fund is used to account for the investments related to external participants in the Utah State Public Treasurer's Investment Fund.

The Nonexpendable Trust Fund accounts for the transactions, assets, liabilities, and fund equity of the School and Institutional Trust Lands. The Trust Lands Fund was created from the federal *Enabling Act of 1894* land grants and the sale of such lands. The Fund's principal is nonexpendable, whereas the earnings on the principal are used to increase the Fund's principal and to support education in the State.

The Expendable Trust Funds account for assets received and expended by the State as trustee, and include the following funds: Unemployment Compensation Trust, Deferred Compensation 457 Plan, Employers' Reinsurance Trust, Utah Navajo Trust, and miscellaneous small deposits and trusts held in a trustee capacity that are consolidated into the Restricted Trust Fund.

The Agency Funds account for assets held by the State as an agent for other governmental units, other organizations, or individuals.

4. Account groups account for the State's fixed assets and long-term debt obligations:

The General Fixed Assets Account Group is used to account for land, buildings, and equipment of the governmental fund types. Fixed assets of the Pension Trust Funds, proprietary fund types, and colleges and universities are accounted for separately in their respective funds.

The General Long-Term Obligation Account Group accounts for the State's unmatured long-term obligations related to general obligation bonds, revenue bonds, and capital lease obligations. Long-term obligations of the Proprietary Funds, Trust Funds, and the College and University Funds are accounted for in their respective funds.

5. The component units include College and University Funds and other proprietary type organizations which are legally separate from the State but are considered part of the reporting entity. The presentation of the underlying fund types of the individual component units reported in the discrete columns are available from each respective component unit's separately issued financial statements.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus. Operating statements of these funds present increases in spendable resources as revenues and other financing sources, and decreases in spendable financial resources as expenditures and other financing uses.

The Nonexpendable Trust Fund, Pension Trust Funds, and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental funds, Expendable Trust Funds, and Agency Funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and related current assets are recognized when measurable and when available to finance operations during the year or to liquidate liabilities existing at the end of the year. Principal revenue sources susceptible to accrual under the modified accrual basis of

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accounting include sales taxes, income taxes, other taxpayer-assessed taxes, federal revenues, departmental collections, and investment income. Expenditures are recorded when the fund liabilities are incurred. Modifications to the accrual basis of accounting include:

- Inventories of materials and supplies in the General Fund and Special Revenue Funds are recorded as expenditures when purchased, except for the following which are recorded as expenditures when consumed: food stamp inventories in the General Fund, inventories of applied technology centers in the Uniform School Fund (Special Revenue Funds), and inventories in the Transportation Fund (Special Revenue Funds).
- Prepaid expenses are immaterial and are not reported.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments of interest to be made early in the following year.

The accounts of the Enterprise, Internal Service, Nonexpendable Trust, Pension Trust, Investment Trust, and Proprietary Type Component Unit Funds are reported using the accrual basis of accounting. Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The following proprietary funds apply all Governmental Accounting Standards Board (GASB) pronouncements and all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in the accounting and reporting of their operations: Enterprise Funds — Alcoholic Beverage Control, Utah Correctional Industries, State Trust Lands Administration, Agriculture Loan Fund, Clean Fuels Vehicle Loan Fund, Petroleum Storage Tank Loan Fund, Waste Tire Recycling Loan Fund, Revitalization Programs, and Critical Land Conservation Fund; Internal Service Funds — Water Resources Loan Fund, Information Technology Fund, Community Impact Loan Fund, Transportation Infrastructure Loan Fund, General Services Fund, Fleet Operations, Human Services/Internal Service Fund, Office of Education/Internal Service Fund, Natural Resources/Internal Service Fund, Risk Management Fund, Property Management Fund, and State Debt Collection; Component Units — Housing Finance Agency, Technology Finance Corporation, Comprehensive Health Insurance Pool, Utah Science Center Authority, and Utah State Fair Corporation.

The following proprietary funds apply all GASB pronouncements and all applicable FASB pronouncements in the accounting and reporting of their operations: Enterprise Funds — Student Assistance Programs and Utah Dairy Commission; Internal Service Funds — Employees Group Insurance Fund; Component Units —

Workers' Compensation Fund and Heber Valley Historic Railroad Authority.

The Component Unit College and University Funds are accounted for on the accrual basis of accounting, with the following exceptions:

- Depreciation expense related to plant fund assets is not recorded.
- Revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The presentation of component units is not meant to be a consolidation since transactions within the state entity have not been eliminated, nor have fixed assets or long-term debt been reported in the applicable state account groups. However, appropriations to the component units are recorded as operating transfers out of the General Fund and as operating transfers into the component unit organization.

D. Budgeting and Budgetary Control

The state budgets are adopted on the modified accrual basis of accounting except for certain intrafund revenues and expenditures that are recognized for budgetary purposes. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual, includes this variation from GAAP and is, therefore, prepared on a budgetary basis. The total variance from GAAP consists of the elimination of the intrafund activity and appropriations to colleges and universities which are identified in the combined statement mentioned above.

The Legislature enacts annual budgets for the General Fund, Special Revenue Funds, and the Debt Service Fund through passage of the annual *Appropriations Act*. Capital Projects Fund appropriations are for projects that may extend over several fiscal years.

Unexpended balances at yearend may: 1) lapse to unrestricted balances and be available for future appropriation; 2) lapse to restricted balances and be available for future appropriation restricted for specific purposes as defined by statute; or 3) be nonlapsing, which means balances are reported as reservations of fund balance. The nonlapsing balances are considered automatically reappropriated as authorized by statute, by the *Appropriations Act*, or by limited encumbrances.

Legal Compliance — Budgets

In September of each year, all agencies of the government submit requests for appropriations to the Governor's Office of Planning and Budget so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past

STATE OF UTAH

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year, current year estimates, and requested appropriations for the next fiscal year.

In January and February, the proposed budget is presented to the Legislature. The Legislature reviews the budget, makes changes, and prepares the annual *Appropriations Act*. The Legislature passes the *Appropriations Act* by a simple majority vote. The *Appropriations Act* becomes the State's authorized operating budget upon the Governor's signature. The appropriations may not exceed the available funding for the fiscal year.

Budgetary control is maintained at the functional or organizational level, as identified by numbered line items in the *Appropriations Act*. Budgets may be modified if federal funding or revenue specifically dedicated for a line item exceeds original estimates in the *Appropriations Act*. If funding sources are not sufficient to cover the appropriation, the Governor is required to reduce the budget by the amount of the deficiency. Any other changes to the budget must be approved by the Legislature in a supplemental appropriation. During the fiscal year, supplemental appropriations of \$11.288 million were provided to enhance various programs. The supplemental appropriations were possible because of increases in unrestricted revenue and unreserved fund balances from prior years.

The departments which spend more than the authorized amount must submit a report explaining the overspending to the State Board of Examiners. The Board will recommend corrective action, which may include a request to the Legislature for a supplemental appropriation to cover the deficit. If a supplemental appropriation is not approved by the Legislature, the department must cover the overspending with the subsequent year's budget. In the General Fund, the State Courts Administrator's budget for juror and witness fees was overexpended by \$1.17 million and will be funded with future appropriations. In the Transportation Fund (Special Revenue Fund), the budget for equipment management was overexpended by \$407 thousand. This will be recovered from future year revenues and appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded to reserve that portion of the applicable appropriation, is used in the Capital Projects Fund as explained in Note 6. Generally, state law prohibits the use of current fiscal year appropriations to cover outstanding encumbrances at fiscal yearend in the General Fund or Special Revenue Funds. However, the one exception to this rule is if a purchase order for equipment is issued prior to May 1 and delivery is expected, but unfulfilled, by June 30. If these conditions are met, the outstanding encumbrance can be carried as a nonlapsing appropriation.

These nonlapsing appropriations for qualified outstanding encumbrances at fiscal yearend are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

All other encumbrances outstanding at fiscal yearend may be canceled or may be re-encumbered and honored with subsequent year appropriations.

E. Cash and Cash Equivalents and Investments

Cash and investment management in the State is administered by the State Treasurer in accordance with the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act specifies the investments that may be made, which are only high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The investments include variable rate corporate notes and obligations of U.S. government agencies which base their rates on standard quoted money market indexes that have a direct correlation to the federal funds rate and, therefore, there is very little market risk because the investments follow the normal swings of interest rates. The Pension Trust Funds; Deferred Compensation 457 Plan (Expendable Trust Fund); Utah Housing Finance Agency, Workers' Compensation Fund of Utah, and Utah Technology Finance Corporation (Component Units - Proprietary Funds); and Utah Public Employees Group Insurance (Internal Service Fund) are exempt from the Act; however, they are governed statutorily by the prudent man rule. The Pension Trust Funds are invested in domestic and international equities and fixed income, corporate and government bonds, short-term securities, real estate and real estate mortgages, joint ventures, and venture capital.

- Cash and Cash Equivalents — Cash equivalents are reported at fair value. All interest revenue is allocated to the General Fund unless state law or trust agreements require allocations of interest to other funds. Funds authorized to receive interest earnings are segregated into separate investment pools, and interest is allocated based on cash balances in the pool.

Cash and cash equivalents, as reported on the balance sheet, are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer by state entities is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including the cash float, in short-term securities and other investments.

Cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. The Student Assistance Programs (Enterprise Fund) use a trustee for their long-term investing needs, and they consider any cash and cash equivalents held by their trustee as investments. Trust Lands (Nonexpendable Trust

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Fund) and Employer Reinsurance Trust (Expendable Trust Fund) with assets held in mutual funds are considered investments. Utah Housing Finance Agency (Component Units – Proprietary Funds) considers only cash deposits, including certificates of deposits with maturities generally less than 90 days, to be cash equivalents.

- Investments, as reported on the balance sheet, include investments which are not considered cash equivalents. These investments may be restricted by law or other legal instruments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law. Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments. Investments held as security deposits which are not held for investment purposes are carried at cost. The Utah Retirement Systems (Pension Trust Funds) mortgages are valued on an amortized cost basis which approximates market or fair value, and the fair value of real estate investments has been estimated based on independent appraisals.

The State's Unemployment Compensation Trust (Expendable Trust Fund) moneys are required by the Social Security Act to be invested in the U.S. Department of Treasury, Bureau of Public Debt Unemployment Trust Fund (BPDUTF), which is not registered with the SEC. The fair value of the position in the BPDUTF is the same as the value of the BPDUTF shares.

The investments for College and University Funds (Component Unit) include \$6.196 million of revenue bonds issued by the Utah Housing Finance Agency (Component Unit). The investments for the Workers' Compensation Fund include \$1.419 million of revenue bonds issued by the Colleges and Universities and \$3.862 million of revenue bonds issued by the Utah Housing Finance Agency. The investments for component units include \$253.542 million managed in the primary government's Public Treasurer's Investment Fund.

- Colleges and Universities — Certain funds are held in trust by external fiscal agents, selected by the donors. The agents distribute net income earned by such funds to the college or university named as beneficiary, where it is recorded as revenue when received. These funds are not recorded on the financial records of the college or university. The fair value of funds held in trust at June 30, 2000, was \$55.589 million.

F. Receivables

- Accounts Receivable in the governmental fund types consist mainly of amounts due from the federal government where collection is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts included in Fleet Operations (Internal Service Fund) consist largely of amounts due from other public entities, and are shown net of an allowance for doubtful accounts of \$164 thousand. Amounts included in the Unemployment Compensation Trust (Expendable Trust Fund) consist largely of delinquent employer contributions and benefit overpayments, and are shown net of an allowance for doubtful accounts of \$3.432 million. Utah Retirement Systems (Pension Trust Funds) receivables consist of amounts due on investment contracts and on employee and employer contributions. Collection of these receivables is reasonably assured; therefore, no allowance for uncollectible accounts has been established.
- Accounts Receivable and Notes Receivable reported in the College and University Funds (Component Units) are shown net of an allowance for doubtful accounts of \$42.260 million and \$1.132 million, respectively. Gifts and pledges are recognized when collected. It is not practical to estimate the net realizable value of these amounts prior to collection. Uncollected pledges at June 30, 2000, were \$100.314 million, of which \$36.190 million is due within one year and \$64.124 million is due thereafter. Accounts Receivable in the Workers' Compensation Fund (Component Units) consist of premiums in the course of being collected, and are shown net of an allowance for doubtful accounts of \$2.285 million.
- Notes/Mortgages Receivable are primarily long-term loans for local governments and agricultural development, home mortgages, and individual student loans. The interest rates on the loans vary but are generally lower than market rates and, in some cases, are non-interest bearing. Student loans in the Student Assistance Programs of the Enterprise Funds are fixed and variable rate federally insured loans. Student loans are insured at 98 percent of their principal balance and, accordingly, an allowance of \$2.763 million has been made for potential loan losses. Loans receivable in Utah Technology Finance Corporation are reported net of a provision for loan losses of \$2.201 million. Utah Housing Finance Agency has recorded an allowance of \$519 thousand as a provision to cover losses on loans made.
- Designated Accrued Taxes are receivables for taxpayer-assessed taxes for the reporting period ending June 30 which are due to the State by July 31 and paid shortly thereafter. At June 30, 2000, the receivable for these taxes decreased in the Transportation Fund, causing a negative revenue of \$2.060 million in Restricted Taxes on the Transportation Fund operating statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

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- Receivables Unbilled represent an amount equal to costs incurred by the Department of Transportation on highway construction projects which are eligible for reimbursement from the federal government upon modification of the related project contracts. When federal funds are available for recovery of the costs, the receivables will be billed.

G. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

H. Inter/Intrafund Transactions

Interfund Transactions — The State has three types of interfund transactions, as follows:

- Services rendered and employee benefit contributions — These transactions are accounted for as revenues, expenditures, or expenses in the funds involved.
- Operating appropriations/subsidies — These are accounted for as operating transfers in the funds involved.
- Equity and working capital contributions — These are accounted for as residual equity transfers (additions to or deductions from beginning governmental fund balances or proprietary fund retained earnings or contributed capital).

The composition of the State's interfund receivables and payables at June 30, 2000, is presented in Note 5. Operating and residual equity transfers are presented in Note 12.

Intrafund Transactions — Intrafund transactions, as a result of contracts between departments and/or agencies within the same fund, are considered expenditures by the contractor and revenues by the contractee for budgetary purposes. However, in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, intrafund revenues and expenditures have been eliminated. The amount of the eliminations by fund is reflected in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.

I. Inventories

Inventories of materials and supplies are determined both by physical counts and through perpetual inventory systems. Proprietary Funds and College and University Funds inventories are

valued at the lower of cost or market. Cost evaluation methods include first-in-first-out (FIFO), last-in-first-out (LIFO), average cost, weighted average, weighted moving average, and retail inventory method.

Governmental fund inventories are recorded as expenditures when purchased except for the following which are recorded as expenditures when consumed: inventories for the Transportation Fund; inventories for applied technology centers in the Uniform School Fund; and food stamps coupon inventories in the General Fund. Transportation Fund inventories are valued using a weighted average cost. Applied technology center inventories are valued at cost, average cost, or lower of cost or market, using FIFO and retail methods. Food stamps are valued at coupon value and any unexpended balances at fiscal yearend are also reported as deferred revenues.

J. Fixed Assets

Fixed assets used in governmental-type operations (general fixed assets) are recorded as expenditures in the governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Interest expense for fixed asset construction in the Enterprise Funds and in some colleges and universities is capitalized. All other interest expense incurred during construction of capital facilities is considered immaterial and is not capitalized. Public domain ("infrastructure") general fixed assets are normally immovable and of value only to the State. Infrastructure, which includes roads, bridges, dikes, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, is not capitalized by the primary government or its proprietary fund type component units. Colleges and universities capitalize infrastructure as buildings and improvements.

- Land is stated at cost or estimated cost at the time of acquisition. Donated land is valued at its estimated fair market value at the donation date. The majority of land in the Nonexpendable Trust Fund was acquired under the federal *Enabling Act of 1894*. At June 30, 2000, the total land held by the trust fund is 3.472 million acres, and the majority of this land is included for reporting purposes at the assigned value of approximately one dollar per acre. The University of Utah (College and University Funds) has valued all land acquired through federal grants at three thousand dollars per acre.
- Buildings and other fixed assets are recorded at historical cost or at estimated historical cost where historical cost is not available. Donated fixed assets are valued at their estimated fair value at the date of donation.
- Assets in the General Fixed Assets Account Group and in the College and University Funds – Plant Funds are not depreciated. Foundations and institutes' assets, which are included in the College and University Funds, are stated net of

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accumulated depreciation of \$12.076 million. Buildings and equipment of the foundations and institutes, and proprietary and fiduciary fund types are depreciated on a straight-line basis over their estimated useful lives, which extends to 40 years on buildings and 3 to 12 years on equipment. Automotive equipment in the Internal Service Funds is depreciated using a straight-line basis over an estimated life of 4 to 6 years depending on type.

K. Deferred Charges

The amounts reported as deferred charges represent issuance costs on bonds amortized over the life of the issue using the bonds-outstanding method or straight-line method, which approximates the effective interest method.

L. Accrued Liabilities

Accrued liabilities include the liability for employee payrolls and liabilities accruing over time where demand for payment is due shortly after fiscal yearend. Interest accrued on general long-term debt due shortly after fiscal yearend is also reported in the Debt Service Fund as accrued liabilities.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U.S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. Governmental entities must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. Entities are required to remit arbitrage rebate payments to the federal government at least once every five years over the life of the bonds. Some State of Utah bonds may be exempt from the rebate requirements if they meet certain statutory exceptions per the regulations. In the Debt Service Fund and the Housing Finance Agency Fund (Component Unit), the arbitrage liability is treated as a reduction of interest revenues. At June 30, 2000, the State's total estimated arbitrage rebate liabilities in these funds were \$1.359 million and \$1.24 million, respectively. In the Student Assistance Programs Fund (Enterprise Fund), the arbitrage liability is treated as a current expense. At June 30, 2000, the total estimated arbitrage rebate liability in this fund was \$25.6 million, of which \$21.2 million represents yield reduction payments.

M. Deferred Revenue

Deferred revenues are principally federal funds received in advance of the authorized expenditure. Special Revenue Funds' deferred revenues include amounts expended by the Transportation Fund on federally participating construction projects which are eligible for reimbursement but for which the funds are not available until a modified project agreement is submitted. These amounts will be billed to the federal government and recorded as revenue in future periods as funds become available. College and University Funds'

deferred revenues consist primarily of summer school tuition and fees which will be recognized during the next fiscal year. Deferred revenues for the Student Assistance Programs Fund (Enterprise Fund) are primarily guarantee fees which are recognized as income over a period of ten years using the sum-of-the-years-digits method.

N. Contractor Retention

Construction contracts awarded by the Department of Transportation (Special Revenue Fund) and those in the Capital Projects Fund usually include provisions to withhold a percentage of the payments until the project reaches a certain stage of completion. Utah law allows the departments to deposit these funds in an escrow account at the contractor's trustee bank at the time the expenditure is recognized. The State controls only the release of these funds; the assets in the accounts are considered the property of the contractor. Therefore, no assets and liabilities for these escrow accounts have been included in the financial statements in either the Transportation Fund or the Capital Projects Fund. At June 30, 2000, \$13.2 million from the Department of Transportation and \$7.78 million from the Capital Projects Fund were being held in contractor escrow accounts.

O. Policy Claim Liabilities

The liabilities are for insurance claims incurred prior to the reporting date and are based on actuarial estimates.

P. Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants in governmental and college and university funds are recorded as revenues when the related expenditures are incurred.

Federal grants include nonmonetary transactions for food and other commodities, food stamps, and land. Unexpended balances of food stamps at fiscal yearend are reported in the General Fund as inventory and deferred revenue. Commodities revenue and expenditures are valued at their federally reported value. Commodity inventories at yearend are immaterial. For the fiscal year ended June 30, 2000, the State reported revenue and expenditures of \$48.609 million for food assistance program and \$5.012 million for commodities in the General Fund, and \$8.236 million for commodities in the Uniform School Fund (Special Revenue Fund).

Q. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts and issuance costs

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for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method or straight-line method, which approximates the effective interest method. Bond discounts in the College and University Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

R. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants, contributions from the public, or working capital transfers from other funds. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

S. Retirement and Employee Benefit Costs

Most state employees participate in the State Retirement Systems. Contributions collected for the State Retirement Systems and the retirement benefits paid are both accounted for in the Pension Trust Funds. All costs for pension, health, and federal social security benefits in governmental fund types are reported as personal service expenditures in the appropriate fund. Benefit costs applicable to proprietary fund types are reflected as expenses in the proprietary funds.

T. Compensated Absences

Employees' vacation leave is accrued at a rate of four hours every two weeks for the first five years of employment, and grows to a rate of seven hours every two weeks after 20 years of employment. There is no requirement to use vacation leave, but a maximum of 40 days may be carried forward at the beginning of each calendar year. Vacation leave is expended when earned.

Employees earn sick leave at a rate of four hours for each two week period, with no limit to the amount that can be accumulated. The State does not reimburse employees for unused sick leave upon termination except employees eligible for retirement. Sick leave is expended when used. At retirement, the State will pay an employee up to 25 percent of the employee's accumulated sick leave and will pay for premiums to maintain health and life insurance coverage for up to five years or until the employee turns age 65, whichever comes first. The employee may use any remaining sick leave balances to acquire health insurance to age 65, and since fiscal year 1999, health insurance for the employee's spouse until they reach age 65, and Medicare supplement insurance after age 65 for both the employee and their spouse. An estimate of the liability for the above retirement benefits has been recorded in the operating funds of the State if funding was available.

In fiscal year 1994, the State implemented compensated absences and postemployment benefit pools within the General Fund and Special Revenue Funds. The pools hold assets to fund the liability for vacation leave and postemployment benefits. If the liability exceeds available funds in the pools they are reported in the Long-Term General Obligation Account Group. The pools' liabilities were funded with a one-time increase in fund equity from the accrual of taxpayer-assessed taxes. The pool is also funded with an accrual of the federal receivables for the federal share of the liability. The ongoing payments from the pools are provided by charges to agency budgets as benefits are earned. Vacation leave taken as time off is paid from current budgets when used. Payment of leave balances at termination and payment of postemployment benefits are made from the compensated absences and postemployment benefit pools.

The General Fund and Special Revenue Funds account for their liability for compensated absences and postemployment benefits within their own funds. Certain proprietary funds and expendable trust funds of the primary government have transferred their liability for vacation leave and postemployment benefits, along with related assets to fund the liability, to the General Fund Compensated Absences and Postemployment Benefit Pool.

The total liability for the primary government for vacation leave and postemployment benefits at June 30, 2000, was \$280.952 million, of which \$190.318 million was reported in the General Fund, \$19.288 million was reported in the Uniform School Fund, \$38.543 million was reported in the Transportation Fund, \$31.144 million was reported in the General Long-Term Obligation Account Group, and \$1.659 million was reported in the Pension Trust Funds by the Utah State Retirement Office.

Compensatory time for overtime worked may be earned up to a maximum of 80 hours. Any overtime exceeding 80 hours is paid when earned. Compensatory time is expended when earned.

College and Universities' (Component Units) vacation earnings, sick leave earnings, and postemployment benefits policies vary slightly among institutions and from the above. Vacation leave is expended when earned and sick leave is expended when used. At June 30, 2000, the total liability for unused vacation leave and postemployment benefits in the College and University Funds was \$50.623 million.

U. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation

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Account Group. Capital Appreciation Bonds are reported in the General Long-Term Obligation Account Group at the original issue amount plus accreted interest. Long-term liabilities expected to be financed from proprietary funds, trust funds, and college and university funds operations are accounted for in those funds.

The amounts reported in the Combined Balance Sheet for the General Long-Term Obligation Account Group include: \$1.212 billion general obligation bonds, which will be paid from the General Fund and Special Revenue Fund appropriations as the bonds mature; \$246.775 million building lease revenue bonds, which will be repaid from rent payments from state agencies; \$4.795 million revolving loan revenue bonds, which are secured by notes receivable in the General Fund's Water Security Enhancement Revolving Loan Programs and will be paid from the collection of loans receivable; \$13.947 million of obligations under capital lease commitments; and \$31.144 million of postemployment benefits which will be paid by the General Fund (see Notes 7 and 8).

V. Totals (Memorandum Only)

Total columns (Memorandum Only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the primary government and all of its component units.

W. Future Changes in Accounting Standards

The Governmental Accounting Standards Board has issued Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, Statement No. 34 Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and Statement No. 35 Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities. These new accounting and reporting standards will impact the State's revenue and expenditure recognition and assets, liabilities and fund equity reporting. The new standards will also require reformatting of the financial statements and the restating of beginning balances. The State will not be early implementing these statements, and due to the significance of the changes required, it is not possible to present pro-forma data prior to their implementation. Statement No. 33 will be implemented in fiscal year 2001 and Statements No. 34 and 35 will be implemented in fiscal year 2002.

NOTE 2. BEGINNING FUND BALANCE/EQUITY ADJUSTMENTS AND OTHER CHANGES

Beginning Fund Balance/Equity Adjustments

In the prior year the Trust Lands Nonexpendable Trust Fund reported a receivable on a land exchange with the federal government that should not have been recorded. This resulted in a reduction of receivables of \$13.005 million. In addition, certain receivables for royalties and interest on land sales were not reported and resulted in an increase in amounts due from other funds of \$1.259 million. These adjustments resulted in a decrease to beginning fund balance of \$11.746 million. Additionally, the Trust Lands Fund revised its investment policy to report investments in mutual funds as investments where as in prior years they were reported as cash and cash equivalents. This resulted in a reclassification to beginning investments of \$223.089 million.

NOTE 3. DEPOSITS AND INVESTMENTS

Listed below is a summary of the deposit and investment portfolio that represents the cash and cash equivalents and investments on the June 30, 2000, balance sheet. Investing is governed by the prudent man rule, in accordance with the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. Except certain repurchase agreements, all securities of the primary government purchased or held and all evidence of deposits and investments must be in the custody of the State, or may be held by an agent in the State's name. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

A. Deposits

At June 30, 2000, the carrying amount of the State's deposits for the primary government was \$284.816 million and \$88.016 million for the component units. At June 30, 2000, the bank balance was \$264.912 million and \$113.059 million for the primary government and component units, respectively. Of the bank balance for the primary government, \$4.287 million was covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the State's agent in the name of the State. Of the bank balance for the component units, \$3.499 million was covered by the FDIC or by collateral held by the State's agent in the name of the State. The remaining deposits for the primary government and component units were uninsured and uncollateralized and were held by various financial institutions. The State of Utah does not require collateral on deposits. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for the deposit of public money at individual financial institutions.

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B. Investments

Statutes authorize the State to invest in negotiable and non-negotiable certificates of deposit; repurchase and reverse repurchase agreements; commercial paper; bankers' acceptances; obligations of the U.S. Treasury and certain agencies of the U.S. Government; corporate obligations; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; shares or certificates in open-end managed money market mutual funds; and various other investments. Authorized investments are subject to certain restrictions. Certain state agencies and component units are also allowed by statute to invest in investment contracts, equity securities, real estate, and other investments. In addition to investments authorized by statute, bond proceeds are invested in

other investments in accordance with the applicable bond resolutions. Investment types for Pension Trust Funds are not restricted by state statute and are presented at fair value.

The following table provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Credit and Market Risks of Investments — Component Units
(Expressed in Thousands)

	Category			Fair Value
	1	2	3	
Repurchase Agreements	\$ —	\$ —	\$ 16,642	\$ 16,642
U.S. Government Securities.....	627,903	130,096	30,506	788,505
Negotiable Certificates of Deposit.....	2,947	—	—	2,947
Commercial Paper	—	—	489	489
Corporate Bonds and Notes.....	76,147	817	6,896	83,860
Equity Securities.....	155,850	20,249	16,791	192,890
Municipal and Public Utility Bonds	73,853	1,179	533	75,565
Total.....	<u>\$ 936,700</u>	<u>\$ 152,341</u>	<u>\$ 71,857</u>	1,160,898
Mutual and Escrow Funds				449,108
Investment Contracts				182,415
Investment in Primary Government's Investment Pool				253,542
Real Estate				25,794
Total Investments.....				<u>\$ 2,071,757</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Credit and Market Risks of Investments — Primary Government (Expressed in Thousands)

	Category			Fair Value
	1	2	3	
Repurchase Agreements	\$ —	\$ 502	\$ 67,592	\$ 68,094
U.S. Government Securities	648,475	4,484	—	652,959
Negotiable Certificates of Deposit	70,115	—	—	70,115
Commercial Paper	124,478	—	—	124,478
Corporate Bonds and Notes	5,867,871	—	—	5,867,871
Equity Securities	7,636,919	—	—	7,636,919
Total	<u>\$ 14,347,858</u>	<u>\$ 4,986</u>	<u>\$ 67,592</u>	14,420,436
Mutual and Escrow Funds				2,041,709
Investment Contracts				75,750
Investment in U.S. Treasury Investment Pool				621,831
Component Units Investment in Primary Government's Investment Pool				(253,542)
Real Estate				660,029
Real Estate Mortgages				3,675
Real Estate Joint Ventures				529,879
Investments Held by Broker-Dealers Under Securities Lending Program:				
U.S. Government Securities				657,086
Equity Securities				593,781
Corporate Bonds and Notes				155,241
Securities Lending Short-Term Collateral Investment Pool				1,452,631
Total Investments				<u>\$ 20,958,506</u>

The Pension Trust Funds owns approximately 71.1 percent of the investments that are in Category 1.

C. Securities Lending

The Utah Retirement Systems (Pension Trust Funds) and the Utah Public Employees Group Insurance Program (Internal Service Funds) participate in security lending programs as authorized by their Boards. The types of securities lent are U.S. government securities, equity securities, and corporate bonds and notes. Under these programs, securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash, government securities, and irrevocable bank letters of credit equal to 102 percent of the market value of the domestic securities on loan and 105 percent of the market value of the international securities on loan, with a simultaneous agreement to return the collateral for the same securities in the future. There are no restrictions on the amount of loans that can be made. For both state entities, their custodial agent is the agent for its securities lending program. Securities under loan are maintained in both state entities' financial records and are

presented as unclassified in the preceding summary of custodial risk. Corresponding assets and liabilities for collateral received, which can be pledged or sold without a borrower default, are recorded at the fair value. At yearend there was no collateral which cannot be pledged or sold without a borrower default.

At yearend neither the Utah Retirement Systems nor Utah Public Employees Group Insurance Program had any credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at yearend for the entities were \$1.370 billion and \$36.294 million, respectively, and the collateral received for those securities on loan was \$1.416 billion and \$36.943 million, respectively, with carrying amount and fair value being the same. Under the terms of the lending agreement, both state entities are indemnified against loss should the lending agent be unable to recover borrowed securities and distributions due to borrower insolvency or failure of the lending agent to properly evaluate the

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

creditworthiness of the borrower. In addition, they are indemnified against loss should the lending agent fail to demand adequate and appropriate collateral on a timely basis. All securities loaned can be terminated on demand by either the state entity or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The short-term investment pool guidelines specify that a minimum of 20 percent of the invested cash collateral is to be available each business day and that the dollar weighted average maturity of holdings should not exceed 60 days. The relationship between the maturities of the short-term investment pool and each of the state entities' loans is affected by the maturities of the securities loans made by other entities that use the agent's pool. This cannot be determined by the state entities. Since the securities lending collateral is in a pool maintained by the custodial bank, it was not necessary to report the total income and expenses of securities lending.

D. Derivative Financial Instruments

The Utah Retirement Systems (Pension Trust Funds) invests in derivative financial investments as authorized by Board policy. As of yearend, the Systems had two types of derivative financial instruments: futures and currency forwards.

Futures represent commitments to purchase (asset) or sell (liability) securities or money market instruments at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded), thereby minimizing the Systems' credit risk. The net change in the futures contract value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At yearend the Systems' investments had the following future balances (expressed in thousands):

	Value Covered By Contract
Long-equity futures	\$ 53,918
Short-equity futures	\$ (29,423)
Long-fixed income futures	\$ 101,682
Short-fixed income futures	\$ (48,756)

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rates on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net realized gains or losses on foreign currency related transactions. At yearend the Systems' investments included the following currency forwards balances (expressed in thousands):

Currency forwards (<i>pending foreign exchange purchases</i>)	\$ 862,290
Currency forwards (<i>pending foreign exchange sales</i>)	\$ (856,674)

The Utah Housing Finance Agency enters into various rate swap contracts as part of its overall funding strategy. The objective of these financial instruments is to increase the volume of funding available to purchase qualified homes under the Agency's low to moderate-income programs. The Agency's ability to keep its Single-Family program active without lags in funding is critical to its success. The federally imposed volume cap on tax-exempt bond issuances is inadequate to provide the resources currently demanded by these programs. To meet these demands and increase its funding capabilities, the Agency sells variable rate bonds. Floating-to-fixed interest rate swap contracts allows the Agency to manage the inherent interest rate risk associated with variable rate debt. The amount of these contracts at June 30, 2000, is \$20.3 million.

NOTE 4. INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF) investment pool. The PTIF is available for investment of funds administered by any Utah public treasurer. Participation is not required and no minimum balance or minimum/maximum transaction is required. State agencies and funds that are authorized to earn interest also invest in the PTIF as an internal investment pool. No separate report as an external investment pool has been issued for the PTIF.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor that enables them to adjust their statement balances to fair value.

The PTIF condensed financial statements, inclusive of external and internal participants for the fiscal year ended June 30, 2000, are as follows:

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Public Treasurer's Investment Fund
Statement of Net Assets
June 30, 2000
(Expressed in Thousands)

Assets	
Cash and Cash Equivalents.....	\$ 213,392
Investments	3,919,971
Interest Receivable.....	36,484
Net Assets	<u>\$ 4,169,847</u>
Net Assets Consist of:	
External Participant Account Balances.....	\$ 2,655,759
Internal Participant Account Balances:	
Primary Government.....	1,251,535
Component Units	253,542
Undistributed Reserves and Unrealized Gains/Losses	9,011
Net Assets	<u>\$ 4,169,847</u>
Participant Account Balance Net Asset Valuation Factor	<u>1.000023</u>

Public Treasurer's Investment Fund
Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

Additions	
Pool Participant Deposits.....	<u>\$ 5,603,715</u>
Investment Income:	
Investment Earnings.....	260,068
Fair Value Increases (Decreases)	(16)
Total Investment Income.....	260,052
Less Administrative Expenses	139
Net Investment Income	<u>259,913</u>
Total Additions	<u>5,863,628</u>
Deductions	
Pool Participant Withdrawals	5,540,368
Earnings Distributions	260,135
Total Deductions	<u>5,800,503</u>
Net Increase From Operations.....	<u>63,125</u>
Net Assets	
Beginning of Year.....	4,106,722
Net Assets — End of Year.....	<u>\$ 4,169,847</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Deposits and Investments

The following disclosure of deposits and investments is for the Public Treasurer's Investment Fund, which includes external and internal participants. These assets are also included in Note 3, disclosure of deposits and investments for the state entity as a whole. Information on the type of deposits and investments and how they are held is disclosed in Note 3. At June 30, 2000, the PTIF investments included certificates of deposit of \$96.5 million that qualify as deposits. Of this amount, \$987 thousand was covered

by the Federal Deposit Insurance Corporation (FDIC) and \$95.513 million was uninsured and uncollateralized and was held by various financial institutions. The following schedule provides information about the credit and market risks associated with the State's investments. Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the State's name.

Public Treasurer's Investment Fund Credit and Market Risks of Investments June 30, 2000 (Expressed in Thousands)

	Category		Fair Value
	1	3	
Negotiable Certificates of Deposit	\$ 70,011	\$ —	\$ 70,011
Repurchase Agreements	—	43,000	43,000
U.S. Government Securities	539,123	—	539,123
Commercial Paper	120,315	—	120,315
Corporate Bonds and Notes	3,264,414	—	3,264,414
Total Investments	<u>\$ 3,993,863</u>	<u>\$ 43,000</u>	<u>\$ 4,036,863</u>

Public Treasurer's Investment Fund Portfolio Statistics:

June 30, 2000		
	Range of Yields	Weighted Average Maturity
Certificates of Deposit	6.14% – 6.77%	50 days
Repurchase Agreements	6.50%	3 days
U.S. Government Securities	5.10% – 7.65%	287 days
Commercial Paper	6.70% – 7.00%	4 days
Corporate Bonds and Notes	6.37% – 7.53%	38 days
June 30, 2000		
	Weighted Average Yield	Average Adjusted Maturity
Total Investment Fund	6.61%	70 days

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 5. DUE FROM/TO OTHER FUNDS

At June 30, 2000
(Expressed in Thousands)

	Interfund Receivables	Interfund Payables
General Fund	\$ 31,669	\$ 10,686
Special Revenue Funds:		
Uniform School	1,659	1,305
Transportation	35,422	10,541
Centennial Highway Fund	1,658	32,898
Rural Development Fund.....	—	2
State Capitol Fund	13	98
Consumer Education Fund	1	35
Capital Projects Fund	6,614	2,715
Debt Service Fund	17,680	156
Enterprise Funds:		
Alcoholic Beverage Control	248	8,452
Utah Correctional Industries.....	1,670	158
State Trust Lands Administration	9	3,933
Agriculture Loan Fund	9	19
Clean Fuels Vehicle Loan Fund	20	40
Revitalization Programs.....	—	119
Critical Land Conservation Fund.....	—	937
Petroleum Storage Tank Loan Fund	—	1
Internal Service Funds:		
Water Resources Loan Fund.....	147	11
Information Technology	4,501	283
Employees Group Insurance	—	777
General Services	2,220	1,385
Fleet Operations.....	3,620	13,259
Human Services/Internal Service.....	32	17
Office of Education/Internal Service	259	46
Natural Resources/Internal Service.....	784	1,902
Administrative Services Risk Management	42	1,444
Property Management.....	628	153
State Debt Collection.....	37	267
Trust and Agency Funds:		
Nonexpendable Trust.....	3,841	—
Expendable Trust:		
Unemployment Compensation Trust	—	3,156
Employers' Reinsurance Trust.....	—	2
Utah Navajo Trust.....	119	86
Restricted Trust.....	22	2,165
Agency:		
County and Local Collections Fund	5,700	—
Deposits, Suspense, and Miscellaneous.....	103	—
Component Units:		
College and University Funds:		
University of Utah	327	17,733
Utah State University.....	—	1,494
Weber State University	—	90
Southern Utah University	—	157
Salt Lake Community College	—	113
Utah Valley State College.....	—	140
Dixie College	—	3
College of Eastern Utah.....	25	1,758
Snow College.....	—	543
Total.....	\$ 119,079	\$ 119,079

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 6. FIXED ASSETS

Changes in the General Fixed Assets Account Group (Expressed in Thousands)

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
General Fixed Assets:				
Land.....	\$ 152,110	\$ 8,119	\$ 2,063	\$ 158,166
Buildings and Improvements.....	893,944	92,438	46,129	940,253
Machinery and Equipment	295,965	31,803	84,237	243,531
Construction-In-Progress.....	53,560	37,127	60,403	30,284
Total General Fixed Assets.....	<u>\$ 1,395,579</u>	<u>\$ 169,487</u>	<u>\$ 192,832</u>	<u>\$ 1,372,234</u>

At June 30, 2000, fixed assets for Enterprise Funds, Internal Service Funds, Trust Funds, and Component Units consisted of the following amounts (expressed in thousands):

	Primary Government			Component Units	
	Enterprise Funds	Internal Service Funds	Trust Funds	Colleges and Universities	Proprietary Funds
Land.....	\$ 8,988	\$ —	\$ 6,384	\$ 61,702	\$ 2,791
Buildings and Improvements.....	21,106	8,475	10,026	1,682,390	9,208
Machinery and Equipment	10,953	189,840	4,279	809,797	14,529
Accumulated Depreciation	(9,416)	(115,148)	(6,742)	(12,076)	(12,562)
Construction-In-Progress.....	1,200	622	—	321,355	—
Total Fixed Assets	<u>\$ 32,831</u>	<u>\$ 83,789</u>	<u>\$ 13,947</u>	<u>\$ 2,863,168</u>	<u>\$ 13,966</u>

Investment in General Fixed Assets by Source (Expressed in Thousands)

	1999	2000
General Fund	\$ 980,193	\$ 1,039,599
Special Revenue Funds:		
Uniform School Fund	111,019	101,677
Transportation Fund.....	199,616	196,660
Sports Authority Fund	49,935	—
Capital Projects Fund.....	53,560	30,284
Utah Navajo Trust Fund	1,256	4,014
Total Investment in General Fixed Assets.....	<u>\$ 1,395,579</u>	<u>\$ 1,372,234</u>

Construction-In-Progress retirements are transferred as additions to land and buildings. These additions represent land of \$586 thousand and buildings of \$59.82 million. If Construction-In-Progress expenditures are in excess of current authorization, deficits will be funded from additional appropriations for phased funded projects, from additional funding from a participating agency, or from the capital projects contingency funds. Construction-In-Progress in the Capital Projects Fund at June 30, 2000, consisted of the following:

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Capital Projects Fund Construction-In-Progress (Expressed in Thousands)

Project	Description	Amount Authorized	Amount Expended	Balance Authorized
98018	Gunnison Prison Housing Phase II	\$ 7,993	\$ 3,626	\$ 4,367
97027	Vernal District Courts Building	7,107	468	6,639
99032	Corrections and Board of Pardons Building.....	6,598	415	6,183
97033	Kamas Fish Hatchery.....	6,307	6,307	—
99028	Richfield Youth Corrections Facility	4,080	1,978	2,102
99027	Bridgerland ATC Southwest Wing Remodel	3,950	2,891	1,059
97021	Antelope Island State Park East Road & Ranch.....	3,425	2,790	635
98002	Davis County DWS Employment Center	2,645	177	2,468
98026	Murray Highway Patrol Office Addition.....	2,361	2,223	138
97034	Fountain Green Fish Hatchery.....	2,063	485	1,578
95188	Orem National Guard Education and Readiness Center.....	1,517	1,492	25
—	All Others	9,126	7,432	1,694
	Total.....	<u>\$ 57,172</u>	<u>\$ 30,284</u>	<u>\$ 26,888</u>

The State had long-term construction project commitments totaling \$90.774 million at June 30, 2000. The following construction projects have remaining commitments and represent reservations of fund balance in the Capital Projects Fund:

Capital Projects Fund Construction Project Commitments (Expressed in Thousands)

Project	Description	Remaining Construction Commitment
96165	UVSC – Information Science Building.....	\$ 20,757
97003	UVSC – Student Center Expansion Phase III	9,586
98024	U of U – Cowles Building Renovation-Design	7,360
97027	Vernal District Courts Building	6,465
97016	SUU – Physical Education Building	6,404
96166	SLCC – Jordan Campus High Technology Building.....	6,395
99032	Corrections and Board of Pardons Building.....	5,280
98018	Gunnison Prison Housing Phase III	4,015
96013	USU – Widstoe Hall Chemistry Building Replacement	3,825
99028	Richfield Youth Corrections Facility	1,821
98031	USU – Roosevelt Campus	1,483
00047	State Capitol Comm. Rooms/Offices in Old Law Library	1,225
99027	Bridgerland ATC Southwest Wing Remodel	946
98228	DFCM – Biathlon Development	816
99078	SLCC South City Campus Window Replacement Phase I.....	797
—	All Others	13,599
	Total Commitments	<u>\$ 90,774</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 7. LEASE COMMITMENTS

The State leases office buildings and office and computer equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancellable for financial reporting purposes and are reported in the General Long-Term Obligation Account Group or in the appropriate proprietary or college and university fund types described below.

Assets acquired through capital leasing are valued at the inception of the lease at either the lower of fair market value or the present value of the future minimum lease payments. Capital lease obligations for the proprietary fund types are reported in those funds as long-term obligations. The related assets and depreciation of these assets are included in the proprietary funds. Capital leases for the College and University Funds are reported in those funds along with the related assets. Capital lease obligations for the governmental type funds are reported in the General Long-Term Obligation Account Group, and the related assets are reported in the General Fixed Assets Account Group.

General government capital lease payments of \$619 thousand in principal and \$1.248 million in interest for the fiscal year ended June 30, 2000, are reported as an expenditure by governmental function.

Operating leases (leases on assets not recorded in the balance sheet) contain various renewal options, as well as some purchase options. However, due to the nature of the leases, the related assets were not classified as capital assets. Any escalation clauses, sublease rentals, and contingent rents were considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The total operating lease expenditures for fiscal year 2000, were \$25.591 million for the primary government and \$15.281 million for component units. For fiscal year 1999, the total operating lease expenditures were \$26.408 million for the primary government and \$13.433 million for component units. Future minimum lease commitments for noncancellable operating leases and capital leases as of June 30, 2000, were as follows:

Future Minimum Lease Commitments (Expressed in Thousands)

Fiscal Year	Operating Leases			Capital Leases			
	Primary Government	Component Units	Total	Primary Government Long-Term Obligation Account Group	Enterprise Funds	Component Units College and University Funds	Total
2001.....	\$ 16,240	\$ 14,987	\$ 31,227	\$ 1,864	\$ 109	\$ 12,055	\$ 14,028
2002.....	13,405	12,281	25,686	1,869	83	9,895	11,847
2003.....	10,948	10,117	21,065	1,881	83	8,551	10,515
2004.....	9,166	7,544	16,710	1,875	20	7,084	8,979
2005.....	4,801	5,474	10,275	1,882	—	4,781	6,663
2006-2010.....	6,518	17,844	24,362	7,897	—	17,515	25,412
2011-2015.....	2,267	1,259	3,526	3,336	—	8,007	11,343
2016-2020.....	1,104	195	1,299	1,190	—	8,120	9,310
2021-2025.....	253	203	456	940	—	608	1,548
2026-2030.....	8	80	88	47	—	—	47
Total Future Minimum Lease Payments	<u>\$ 64,710</u>	<u>\$ 69,984</u>	<u>\$ 134,694</u>	22,781	295	76,616	99,692
Less Amounts Representing Interest				8,834	36	21,291	30,161
Present Value of Future Minimum Lease Payments.....				<u>\$ 13,947</u>	<u>\$ 259</u>	<u>\$ 55,325</u>	<u>\$ 69,531</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Changes in Capital Lease Long-Term Obligations (Expressed in Thousands)

	Primary Government		Component Units	
	Long-Term Obligation Account Group	Enterprise Funds	College and University Funds	Total
Balance at July 1, 1999	\$ 14,466	\$ 407	\$ 44,004	\$ 58,877
Increase in Lease Obligations	—	—	19,858	19,858
Decrease in Lease Obligations	(519)	(148)	(8,539)	(9,206)
Balance at June 30, 2000	<u>\$ 13,947</u>	<u>\$ 259</u>	<u>\$ 55,323</u>	<u>\$ 69,529</u>

NOTE 8. BONDS AND NOTES PAYABLE

A. General Obligation Bonds

The State issues general obligation bonds to provide funds for acquisition, construction, and renovation of major capital facilities, highways, and water management for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds, revenue bonds, and capitalized leases. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues. As of June 30, 2000, the State had \$29 million and \$6 million of authorized but unissued general obligation building and highway bond authorizations remaining, respectively. The State expects that of the

remaining unissued building bonds, \$15 million will be issued in January 2001.

During fiscal year 2000, the State issued \$38 million Series 1999E general obligation bonds. The proceeds were used for various state building projects.

In fiscal year 1999 the State issued \$358 million Series 1999 A, B, C, & D adjustable rate general obligation bonds. For fiscal year 2000, the State's average interest rate for the 1999 adjustable rate bonds was 3.7 percent. In the general obligation bond debt service requirements to maturity schedule, the interest rate used to project debt service requirements was 4.5 percent.

General Obligation Bonds Payable presented in the General Long-Term Obligation Account Group consist of the following:

General Obligation Bonds Payable (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2000
1994 ABCDEF Capital Facility Issue	07/01/94	1995–2000	4.60% to 4.70%	\$ 94,745	\$ 81,325
1995 AB Capital Facility Issue	07/01/95	2001	6.00%	\$ 45,000	45,000
1996 Capital Facility Issue	07/01/96	2002	5.00%	\$ 20,000	20,000
1997 ABCDE Highway/Capital Facility Issue ..	07/01/97	2001–2012	4.80% to 5.50%	\$ 200,000	200,000
1997 F Highway Issue	08/01/97	2001–2012	5.00% to 5.50%	\$ 205,000	205,000
1998 A Highway/Capital Facility Issue	07/07/98	2001–2012	5.0%	\$ 265,000	265,000
1999 ABCD Highway Issue	05/20/99	2001–2014	variable	\$ 358,000	358,000
1999 E Capital Facility Issue	06/15/99	2004	4.50%	\$ 38,000	38,000
Total General Obligation Bonds Payable					<u>\$ 1,212,325</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

General Obligation Bond Issues
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal					
	1994 A-F Capital Facility	1995 AB Capital Facility	1996 Capital Facility	1997 A-E Highway/Capital Facility	1997 F Highway Bonds	1998 A Highway/Capital Facility
2001.....	\$ 81,325	\$ —	\$ —	\$ —	\$ —	\$ —
2002.....	—	45,000	—	8,250	12,625	26,925
2003.....	—	—	20,000	33,700	13,325	30,525
2004.....	—	—	—	49,175	14,075	38,150
2005.....	—	—	—	9,675	14,825	14,975
2006-2010	—	—	—	56,900	86,825	88,825
2011-2015	—	—	—	42,300	63,325	65,600
Total	<u>\$ 81,325</u>	<u>\$ 45,000</u>	<u>\$ 20,000</u>	<u>\$ 200,000</u>	<u>\$ 205,000</u>	<u>\$ 265,000</u>

Continues Below

Fiscal Year	Principal				
	1999 A-D Highway Bonds	1999 E Capital Facility	Total Principal Required	Interest Required	Total Amount Required
2001.....	\$ —	\$ —	\$ 81,325	\$ 55,946	\$ 137,271
2002.....	—	—	92,800	50,815	143,615
2003.....	21,000	—	118,550	44,824	163,374
2004.....	21,700	—	123,100	38,532	161,632
2005.....	22,400	38,000	99,875	33,742	133,617
2006-2010	124,600	—	357,150	117,064	474,214
2011-2015	168,300	—	339,525	23,605	363,130
Total	<u>\$ 358,000</u>	<u>\$ 38,000</u>	<u>\$ 1,212,325</u>	<u>\$ 364,528</u>	<u>\$ 1,576,853</u>

Changes in General Obligation Bonds
(Expressed in Thousands)

Balance at July 1, 1999	\$ 1,251,525
New Bonds Issued:	
1999 E Capital Facility	38,000
Bonds Retired	(77,200)
Balance at June 30, 2000	<u>\$ 1,212,325</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

B. Revenue Bonds

Revenue bonds payable consist of those issued by the Utah Housing Finance Agency, the Utah State Board of Regents Student Loan Purchase Program, the Utah State Building Ownership Authority, the State, and the various colleges and universities. These bonds are not considered general obligations of the State.

The Utah Housing Finance Agency bonds were issued to provide sources of capital for making housing loans to persons of low or moderate income. The bonds are secured by mortgages, and repayments are made from the mortgage payments. Outstanding bonds payable are reported in the component units. Of the total reported bonds payable, \$414 thousand represents deferred interest on revenue bonds outstanding.

The Utah State Board of Regents Student Loan Purchase Program bonds were issued to provide funds for student loans and are secured by all assets of the Board of Regents Revenue Bond Fund and by the revenues and receipts derived from such assets. Outstanding bonds payable are reported in the Enterprise Funds.

The Utah State Building Ownership Authority has issued bonds for the purchase and construction of facilities to be leased to state agencies. The bonds are secured by the facilities, and repayment is made from lease income. The outstanding bonds payable at June 30, 2000, is reported in the General Long-Term Obligation Account Group, except for \$10.95 and \$1.295 million which are reported in

Alcoholic Beverage Control Fund, and Utah Correctional Industries Fund (Enterprise Funds) respectively, and \$1.12 million reported in the Fleet Operations Fund (Internal Service Fund).

The Utah State Building Ownership Authority has also issued refunding bonds. The 1998 C lease revenue bonds were used to refund portions of the 1994 A, 1995 A, and 1996 A lease revenue bonds. The bonds are secured by the facilities, and repayments are made from lease income.

The State has issued revolving loan recapitalization program bonds to provide capital for the State's revolving loan programs, and subsequently has refunded one of the bonds. The bonds are secured by and repayment is made from the collection of the revolving loan programs' notes receivables. Of the bonds payable outstanding at June 30, 2000, \$4.795 million are reported in the General Long-Term Obligation Account Group and \$6.145 million in the Water Resources Loan Fund (Internal Service Fund).

The colleges and universities issue bonds for various purposes, including student housing, special events centers, and student union centers. The bonds are secured by the related assets, student building fees, and other income of certain college activities. Outstanding bonds payable are reported in the College and University Funds.

Revenue Bonds Payable presented on the Combined Balance Sheet consist of the following:

Revenue Bonds Payable — Component Units (Expressed in Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2000
Utah Housing Finance Agency Issues.....	1986–2000	2000–2041	3.0% to 10.75%	\$ 2,322,219	\$ 1,093,606
Colleges and Universities					
Revenue Bonds	1987–2000	2003–2029	2.5% to 8.49%	\$ 392,275	318,436
Total Revenue Bonds Outstanding....					1,412,042
Utah Housing Finance Agency					
Deferred Interest Payable					414
Colleges and Universities					
Less Unamortized Discounts					(104)
Total Revenue Bonds Payable.....					<u>\$ 1,412,352</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Revenue Bonds Payable — Primary Government (Expressed in Thousands)					
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2000
1988 and 1993 Board of Regents Student Loan Indentures.....	1988–1999	1992–2038	3.9% to 7.6% and variable	\$1,014,685	\$ 869,040
1992 A Revolving Loan Recapitalization Program	04/15/92	1993–2004	4.0% to 6.6%	\$ 5,065	2,095
1992 B Revolving Loan Recapitalization Program	06/01/92	1993–2004	3.4% to 6.3%	\$ 9,935	4,050
1992 A Utah State Building Ownership Authority Refunding	07/15/92	1993–2011	5.30% to 5.75%	\$ 26,200	19,510
1992 B Utah State Building Ownership Authority	07/15/92	1994–2011	4.0% to 6.0%	\$ 1,380	1,060
1993 A Utah State Building Ownership Authority	12/01/93	1995–2013	4.5% to 5.25%	\$ 6,230	4,820
1993 B Utah State Building Ownership Authority	12/01/93	1995–2014	4.5% to 5.25%	\$ 8,160	6,465
1994 A Utah State Building Ownership Authority	09/01/94	1995–2018	5.0% to 6.25%	\$ 30,915	8,570
1995 A Utah State Building Ownership Authority	07/01/95	1996–2018	5.0% to 5.75%	\$ 93,000	25,285
1995 Water Refunding	10/04/95	1996–2005	5.125%	\$ 8,430	4,795
1996 A Utah State Building Ownership Authority	07/01/96	1997–2019	5.5% to 6.0%	\$ 44,725	12,095
1996 B Utah State Building Ownership Authority	11/01/96	1999–2013	5.0% to 5.4%	\$ 16,875	15,255
1997 A Utah State Building Ownership Authority	12/01/97	1999–2018	4.6% to 5.125%	\$ 4,150	3,950
1998 A Utah State Building Ownership Authority	07/01/98	1999–2020	3.75% to 5.25%	\$ 25,710	23,375
1998 B Utah State Building Ownership Authority – Capital Appreciation	07/22/98	2005	4.65%	\$ 23,091	25,245
1998 C Utah State Building Ownership Authority	08/15/98	2000–2019	3.8% to 5.5%	\$ 105,100	105,055
1999 A Utah State Building Ownership Authority	08/01/99	2001–2021	5.25% to 5.50%	\$ 9,455	9,455
Total Revenue Bonds Outstanding					1,140,120
Student Loan Purchase Program Plus Unamortized Premiums					182
Total Revenue Bonds Payable					<u>\$ 1,140,302</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Revenue Bond Issues — Primary Government
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal						
	Student Loan Programs	1992 A Revolving Loan Recap Program	1992 B Revolving Loan Recap Program	1992 A Utah State Building Ownership Authority	1992 B Utah State Building Ownership Authority	1993 A Utah State Building Ownership Authority	1993 B Utah State Building Ownership Authority
2001	\$ 53,185	\$ 475	\$ 925	\$ 1,175	\$ 65	\$ 270	\$ 330
2002	12,540	505	980	1,240	65	285	345
2003	13,550	540	1,040	1,310	70	300	360
2004	14,900	575	1,105	1,380	75	315	380
2005	18,240	—	—	1,460	80	330	395
2006-2010	111,625	—	—	8,700	475	1,910	2,310
2011-2015	34,000	—	—	4,245	230	1,410	2,345
2016-2020	13,945	—	—	—	—	—	—
2021-2025	55,500	—	—	—	—	—	—
2026-2030	159,500	—	—	—	—	—	—
2031-2035	280,055	—	—	—	—	—	—
2036-2040	102,000	—	—	—	—	—	—
Total	<u>\$ 869,040</u>	<u>\$ 2,095</u>	<u>\$ 4,050</u>	<u>\$ 19,510</u>	<u>\$ 1,060</u>	<u>\$ 4,820</u>	<u>\$ 6,465</u>

Continues Below

Fiscal Year	Principal						
	1994 A Utah State Building Ownership Authority	1995 A Utah State Building Ownership Authority	1995 Water Refunding	1996 A Utah State Building Ownership Authority	1996 B Utah State Building Ownership Authority	1997 A Utah State Building Ownership Authority	1998 A Utah State Building Ownership Authority
2001	\$ 1,540	\$ 3,125	\$ 865	\$ 1,470	\$ 860	\$ 140	\$ 2,175
2002	1,620	3,275	910	1,540	900	145	2,265
2003	1,710	3,450	955	1,630	945	155	2,370
2004	1,805	3,575	1,005	1,720	995	160	2,485
2005	1,895	3,760	1,060	1,820	1,040	170	2,615
2006-2010	—	8,100	—	3,915	6,055	985	3,860
2011-2015	—	—	—	—	4,460	1,265	4,870
2016-2020	—	—	—	—	—	930	2,735
2021-2025	—	—	—	—	—	—	—
2026-2030	—	—	—	—	—	—	—
2031-2035	—	—	—	—	—	—	—
2036-2040	—	—	—	—	—	—	—
Total	<u>\$ 8,570</u>	<u>\$ 25,285</u>	<u>\$ 4,795</u>	<u>\$ 12,095</u>	<u>\$ 15,255</u>	<u>\$ 3,950</u>	<u>\$ 23,375</u>

Continues Below

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Revenue Bond Issues — Primary Government (continued)
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal			Total Principal Required	Total Interest	Total Amount Required
	1998 B Utah State Building Ownership Authority	1998 C Utah State Building Ownership Authority	1999 A Utah State Building Ownership Authority			
2001.....	\$ —	\$ 45	\$ 55	\$ 66,700	\$ 53,669	\$ 120,369
2002.....	—	50	265	26,930	51,400	78,330
2003.....	—	50	300	28,735	49,837	78,572
2004.....	—	50	310	30,835	48,135	78,970
2005.....	25,245	55	330	58,495	52,667	111,162
2006-2010	—	26,710	1,920	176,565	200,595	377,160
2011-2015	—	47,100	2,490	102,415	165,848	268,263
2016-2020	—	30,995	3,235	51,840	140,767	192,607
2021-2025	—	—	550	56,050	132,762	188,812
2026-2030	—	—	—	159,500	101,077	260,577
2031-2035	—	—	—	280,055	62,789	342,844
2036-2040	—	—	—	102,000	21,150	123,150
Total	<u>\$ 25,245</u>	<u>\$ 105,055</u>	<u>\$ 9,455</u>	<u>\$ 1,140,120</u>	<u>\$ 1,080,696</u>	<u>\$ 2,220,816</u>

Revenue Bond Issues — Component Units
Debt Service Requirements to Maturity
For Fiscal Years Ended June 30
(Expressed in Thousands)

Fiscal Year	Principal		Total Principal Required	Interest Required	Total Amount Required
	Housing Finance Agency	Colleges and Universities			
2001.....	\$ 91,952	\$ 9,746	\$ 101,698	\$ 76,002	\$ 177,700
2002.....	18,906	10,613	29,519	75,635	105,154
2003.....	23,487	12,608	36,095	73,821	109,916
2004.....	25,435	13,697	39,132	71,723	110,855
2005.....	25,984	24,727	50,711	69,199	119,910
2006-2010	147,007	80,214	227,221	307,274	534,495
2011-2015	159,537	69,372	228,909	240,771	469,680
2016-2020	182,207	35,132	217,339	175,370	392,709
2021-2025	217,200	31,736	248,936	106,921	355,857
2026-2030	172,646	30,591	203,237	36,412	239,649
2031-2035	25,150	—	25,150	3,259	28,409
2036-2040	3,780	—	3,780	488	4,268
2041-2042	315	—	315	19	334
Total	<u>\$ 1,093,606</u>	<u>\$ 318,436</u>	<u>\$ 1,412,042</u>	<u>\$ 1,236,894</u>	<u>\$ 2,648,936</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Changes in Revenue Bonds Outstanding (Expressed in Thousands)

	Primary Government				Total Revenue Bonds Outstanding
	Proprietary Funds	General Long-Term Obligation	Total Primary Government	Component Units	
Balance at July 1, 1999	\$ 813,593	\$ 254,543	\$ 1,068,136	\$ 1,374,679	\$ 2,442,815
New Bonds Issued:					
Student Loan Programs	125,000	—	125,000	—	125,000
Utah State Building Ownership Authority	2,495	6,960	9,455	—	9,455
Utah Housing Finance Agency	—	—	—	294,310	294,310
Colleges and Universities	—	—	—	25,160	25,160
Accretion	—	1,134	1,134	—	1,134
Bonds Retired	(52,538)	(11,067)	(63,605)	(282,107)	(345,712)
Balance at June 30, 2000	<u>\$ 888,550</u>	<u>\$ 251,570</u>	<u>\$ 1,140,120</u>	<u>\$ 1,412,042</u>	<u>\$ 2,552,162</u>

C. Conduit Debt Obligations

In 1985, the State Board of Regents authorized the University of Utah to issue Variable Rate Demand Industrial Development Bonds for the University Park Hotel, a limited partnership separate from the University. The bonds are payable solely from revenues of the University Park Hotel. The bonds do not constitute a debt or pledge of the faith and credit of the University of Utah or the State and, accordingly, have not been reported in the accompanying financial statements. At June 30, 2000, \$8.120 million of Variable Rate Demand Industrial Development Bonds are outstanding.

D. Demand Bonds

The \$358 million Series 1999 A, B, C, & D adjustable rate bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven days notice and delivery to the State's remarketing agent. Conversely, the State has the ability to convert any or all of the Series 1999 A, B, C, & D general obligation bonds into fixed rate debt, upon not fewer than 15 days notice to bondholders. The remarketing agent is paid a fee equal to .07 percent per annum of the weighted average principal amount of each series of bonds outstanding on a quarterly basis.

In the event the bonds cannot be remarketed, the State has a separate standby bond purchase agreement for each bond series with Toronto-Dominion Bank acting through its Houston Agency. The agreement provides an amount sufficient to pay the purchase price of each of the respective series of bonds equal to the principal and up to 39 days' accrued interest at a maximum rate of ten percent per annum. The Standby Agreement also contains a take out provision for bonds that are held by the bank upon expiration of the credit agreement that will allow the State to convert the bonds to a two

year installment loan with interest payable monthly and principal due at the end of the term. If the installment provision were in place, the interest rate would be ten percent and cost the State \$35.8 million per year in interest expense, assuming all of the bonds were not remarketed. The Standby Agreement is valid through September 14, 2001.

In consideration for the Liquidity Facility, the State is charged six basis points of the principal outstanding, less any advances outstanding on a quarterly basis. The interest rate for Liquidity Advances is the Federal Funds rate plus one-half percent for the first 30 days. For advances outstanding longer than 30 days or outstanding under the installment provision, the rate charged is the greater of the Federal Funds or prime rate plus a margin dependent upon the amount of time the advance is outstanding, not to exceed ten percent per annum. As of June 30, 2000, the State had not drawn any funds under the Standby Bond Purchase Agreement.

The Student Loan Purchase Program had \$285.555 million of demand bonds outstanding at June 30, 2000, subject to purchase on the demand of the holder at a price equal to principal plus accrued interest, on seven day's notice and delivery to the Board's remarketing agent.

In the event bonds cannot be remarketed, the Board has standby bond purchase agreements and a letter of credit agreement sufficient to pay the purchase price of bonds delivered to it. The Board pays quarterly fees to maintain the standby bond purchase agreements and letter of credit on the demand bonds.

An unused irrevocable direct-pay letter of credit expiring November 15, 2004, in the amount of \$37.462 million supports the Series 1993 A bonds of \$35 million. The standby bond purchase agreements include the amount of \$156.368 million expiring November 15,

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

2005 to support Series 1988 B, 1988 C, and 1995 L bonds of \$149.5 million, and the amount of \$108.42 million expiring May 16, 2005 to support the Series 1996 Q and 1997 R bonds of \$101.055 million. As of June 30, 2000, the Board had not drawn any funds under the standby bond purchase agreements or the letter of credit.

The University of Utah (Colleges and Universities) Series 1997 A bonds in the amount of \$26.590 million currently bear interest at a weekly rate in accordance with bond provisions. When a weekly rate is in effect, the Series 1997 A bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days notice and delivery to the University's tender agent.

In the event the bonds cannot be remarketed, the tender agent is required to draw on an irrevocable letter of credit to pay the purchase price plus accrued interest on the bonds delivered to it. The letter of credit with the Bank of Nova Scotia is valid through June 30, 2002. As of June 30, 2000, the University had not drawn any funds under the letter of credit.

E. Capital Appreciation Bonds

On August 15, 1998, the Utah State Building Ownership Authority issued \$23.091 million of 1998 Series B Capital Appreciation lease revenue bonds. The interest on the bonds is accreted and added to the bonds payable in the General Long-Term Obligation Account Group. The accretion for the year ended June 30, 2000, was \$1.134 million, and at June 30, 2000, bonds payable amounted to \$25.245 million. The interest on the bond is not paid until the bonds mature at which time the expenditure will be recorded.

F. Defeased Bonds

On October 21, 1999, the Student Loan Purchase Program issued \$23 million 1999 Series N student loan revenue bonds at par to refund its outstanding 1989 Series D bonds maturing November 1, 1999, November 1, 2000, and November 1, 2004; 1990 Series E bonds maturing November 1, 1999; and 1991 Series F bonds maturing November 1, 1999, all of which were to be paid or redeemed on November 1, 1999. The refunded bonds carried interest rates ranging from 6.75 percent to 7.3 percent. Such refunded bonds were paid at par, with the exception of the 1989

Series D bonds maturing on November 1, 2000, and November 1, 2004, which were paid at par plus a premium of 2 percent totaling \$235,000. Because the variable rate refunding issue has no stated minimum or maximum interest rates, no attempt has been made to disclose cash flow savings or economic gain. The Student Loan Purchase Program did not have any defeased bonds outstanding prior to the current year refunding.

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds and other moneys available for debt service in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the General Long-Term Obligation Account Group. At June 30, 2000, \$105.615 million revenue bonds outstanding are considered defeased.

In prior years, colleges and universities (Component Units) defeased certain revenue bonds by placing the proceeds of new bonds and various bond reserves in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the colleges and universities balance sheet. At June 30, 2000, \$64.055 million of college and university bonds outstanding are considered defeased.

In prior years, Utah Housing Finance Agency (Component Unit) defeased certain revenue bonds by placing a portion of the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Utah Housing Finance Agency's balance sheet. At June 30, 2000, \$6.25 million of bonds outstanding are considered defeased.

G. Notes Payable

The notes payable balance of \$36.446 million is comprised of \$2.147 million in notes issued by Technology Finance Corporation (Component Units - Proprietary Fund), \$342 thousand in notes issued by the Heber Valley Historic Railroad Authority (Component Units - Proprietary Fund), and \$33.957 million in notes issued by the College and University Funds (Component Units) for the purchase of buildings and equipment. The notes bear various interest rates and will be repaid over the next 30 years. They are secured by the related assets.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Notes Payable Debt Service Requirements to Maturity
Component Units
For Fiscal Years Ending June 30
(Expressed in Thousands)

Fiscal Year	Principal		Total Principal Required	Interest Required	Total Amount Required
	Colleges and Universities	Proprietary Funds			
2001	\$ 4,866	\$ 287	\$ 5,153	\$ 1,692	\$ 6,845
2002	2,249	190	2,439	1,555	3,994
2003	2,337	196	2,533	1,430	3,963
2004	2,265	117	2,382	1,305	3,687
2005	2,145	92	2,237	1,181	3,418
2006–2010	3,714	476	4,190	5,148	9,338
2011–2015	5,857	362	6,219	3,859	10,078
2016–2020	8,777	380	9,157	1,784	10,941
2021–2025	1,532	389	1,921	229	2,150
2026–2030	215	—	215	20	235
Total	<u>\$ 33,957</u>	<u>\$ 2,489</u>	<u>\$ 36,446</u>	<u>\$ 18,203</u>	<u>\$ 54,649</u>

Changes in Notes Payable
Component Units
(Expressed in Thousands)

	Colleges and Universities	Proprietary Funds
Balance at July 1, 1999	\$20,836	\$ 2,560
Additions	18,917	109
Deletions	(5,796)	(180)
Balance at June 30, 2000	<u>\$ 33,957</u>	<u>\$ 2,489</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

H. Contracts Payable

Contracts Payable in the General Long-Term Obligation Account Group are for capital leases. Lease obligations are detailed in Note 7. Component Unit Contracts Payable include \$1.609 million in life annuity contracts.

I. Leave/Postemployment Benefits Obligations

Changes in Leave/Postemployment Benefits Obligations (Expressed in Thousands)

	General Fund	Special Revenue Funds		Pension Trust Funds State Retirement Systems	General Long-Term Obligation Account Group	Total
		Uniform School	Transportation			
Balance at July 1, 1999.....	\$ 175,577	\$ 19,173	\$ 34,008	\$ 1,444	\$ 13,678	\$ 243,880
Increase in Accrued						
Leave Benefits	5,475	19	401	215	—	6,110
Increase in						
Postemployment Benefits	9,266	96	4,134	—	17,466	30,962
Balance at June 30, 2000.....	<u>\$ 190,318</u>	<u>\$ 19,288</u>	<u>\$ 38,543</u>	<u>\$ 1,659</u>	<u>\$ 31,144</u>	<u>\$ 280,952</u>

The changes in the leave/postemployment benefits obligations for College and University Funds (Component Unit) are as follows: beginning balance at July 1, 1999, of \$46.843 million, increases of \$1.195 million in accrued leave benefits and \$2.585 million in postemployment benefits, and ending balance at June 30, 2000, of \$50.623 million.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 9. FUND BALANCES — RESERVED AND DESIGNATED

The State's reserved fund balances represent: 1) those portions of fund balance that are not available for appropriation or expenditure, which include loans receivable; or 2) fund balances that are legally segregated for a specific future use, which include reserves for encumbrances in the Capital Projects Fund, limited encumbrances in the General and Special Revenue Funds as explained in Note 1, continuing appropriation or nonlapsing funds, assets legally restricted for other purposes, and assets restricted by bond agreements. A summary of the nature and purpose of these reserves by fund type at June 30, 2000, follows (expressed in thousands):

A. General Fund — Reserved

Nonlapsing Appropriations for:

Tax Commission	\$ 12,307
Natural Resources – Parks and Recreation.....	9,937
Business, Labor, and Agriculture	8,698
Natural Resources – Except Parks	6,438
Community and Economic Development.....	5,014
Department of Corrections	4,235
Department of Health	3,625
Public Safety	3,344
Administrative Services	3,033
Legislature.....	2,624
Environmental Quality	1,846
Governor's Office	1,373
Miscellaneous Other	2,379
Total Nonlapsing	<u>64,853</u>

Restricted by Law for:

Water Pollution Loans	171,893
Safe Drinking Water Loans.....	49,410
Housing Development Loans	39,628
Advances to Internal Service Funds.....	28,630
Tobacco Settlement Funds	27,577
Medicaid Restricted	14,253
Oil Overcharge Funds	10,183
Wildlife Resources Restricted	8,292
Industrial Assistance	7,958
Employment Security Special Administration	7,042
Tax Commission – Administration	5,326
Natural Resources – Except Wildlife	4,179
Public Safety Accounts	3,996
Nursing Facilities	2,904
Human Services	2,896
Environmental Quality	2,388
Wildlife Resources – Other.....	2,329
State Judicial Council	1,813

Miscellaneous Other	7,811
Total Restricted.....	<u>398,508</u>
Total General Fund Reserved	<u>\$ 463,361</u>

General Fund — Unreserved/Designated

Budgetary Reserve Account (Rainy Day Reserve Account).....	\$ 109,724
Designated for Fiscal Year 2001 Appropriation	<u>48,498</u>
Total General Fund Designated	<u>\$ 158,222</u>

B. Special Revenue Funds — Reserved

Uniform School Fund Nonlapsing Appropriations for:

Minimum School Program.....	\$ 23,789
State Office of Education.....	4,239
Deaf and Blind School.....	1,135
Miscellaneous Programs	<u>695</u>
Total Nonlapsing	<u>29,858</u>

Uniform School Fund Restricted by Law for:

School Building Loans Programs	10,191
Applied Technology Centers	4,145
Miscellaneous Programs	467
Advances to Internal Service Funds.....	<u>69</u>
Total Restricted.....	<u>14,872</u>
Total Uniform School Fund Reserved	<u>\$ 44,730</u>

Transportation Fund Nonlapsing Appropriations for:

Sidewalk Construction.....	\$ 1,280
Miscellaneous Programs	<u>1,642</u>
Total Nonlapsing	<u>2,922</u>

Transportation Fund Restricted by Law for:

Corridor Preservation	11,820
Aeronautical Programs	5,972
Uninsured Motorist.....	2,324
Miscellaneous Programs	<u>2,079</u>
Total Restricted.....	<u>22,195</u>
Total Transportation Fund Reserved	<u>\$ 25,117</u>

Centennial Highway Fund:

Restricted by Law for Construction	<u>\$ 119,056</u>
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Sports Authority Fund:

Restricted by Law for Sales Tax Distribution	<u>\$ 1,000</u>
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Total Special Revenue Funds Reserved.....	<u>\$ 189,903</u>
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STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Special Revenue Funds — Unreserved/Designated

Uniform School Fund Net Accrued Taxes.....	\$ 143,695
Uniform School Fund Designated	
for Fiscal Year 2001 Appropriations	11,469
Transportation Fund Net Accrued Taxes.....	7,061
Sports Authority Fund Designated	
for Fiscal Year 2001 Appropriations	4,348
Total Special Revenue Funds Designated.....	<u>\$ 166,573</u>

C. Capital Projects Fund

Of the \$96.689 million reserved fund balance, \$90.774 million is for outstanding encumbrances on various capital projects, \$5.663 million is for lease revenue bond restrictions on proceeds that are currently not committed under contract, and \$252 thousand is reserved by statute for planning of construction projects. Appropriations and bond proceeds available in the next fiscal year will fund the deficit unreserved undesignated balance of \$18.859 million.

D. Debt Service Fund

The \$5.051 million reserved for the Debt Service Fund represents reserve funds and pledged funds required by bond agreements.

E. Trust and Agency Funds

The \$18.269 billion reserved for the Trust and Agency Funds represents:

Pension Benefits:

Employee Deferred Compensation	\$ 1,259,441
Reserved for Employees' Pension Benefits	<u>13,034,399</u>
Total Pension Benefits.....	<u>14,293,840</u>

Investment Trust:

Fund Balance Reserved for External	
Investment Pool Participants	2,655,759
Fund Balance Reserved for Investment Fund	
Participants – Undistributed Reserves and	
Unrealized Gains/Losses	8,993
Total Investment Trust.....	<u>2,664,752</u>

Nonexpendable Trust:

Trust Lands.....	<u>362,607</u>
------------------	----------------

Expendable Trust:

Unemployment Compensation Benefits	623,304
Deferred Compensation 457 Plan.....	234,988
Utah Navajo Trust	13,756
Restricted Various	<u>75,221</u>

Total Expendable Trust

Total Trust and Agency Funds Reserved..... \$18,268,468

F. Internal Service Funds

The \$177.393 million in retained earnings includes \$54.959 million of claims contingency reserves for Employees Group Insurance Fund and \$1.791 million of bond reserves for Water Resources Loan Fund.

G. Enterprise Funds

Reserved Retained Earnings:

Student Assistance Programs for	
Financing and Bond Agreements	\$ 92,518
State Trust Lands Administration	
for Noxious Weeds.....	<u>34</u>
Total Enterprise Funds Reserved	<u>92,552</u>

Unreserved Retained Earnings:

Student Assistance Programs	69,600
Utah Correctional Industries	526
State Trust Lands Administration.....	353
Agriculture Loan Fund	10,034
Utah Dairy Commission	843
Clean Fuels Vehicle Loan Fund	881
Petroleum Storage Tank Loan Fund.....	529
Revitalization Programs	3,017
Critical Land Conservation Fund	<u>2,358</u>

Total Enterprise Funds Unreserved

Total Enterprise Funds Retained Earnings..... \$ 180,693

H. Component Units — Proprietary Type Funds

Reserved Retained Earnings:

Housing Finance Agency for Bond Agreements .	\$ 121,754
Workers' Compensation – Regulatory	9,270
Technology Finance Corporation – Federal	<u>6,672</u>
Total Reserved	<u>137,696</u>

Unreserved Retained Earnings:

Housing Finance Agency	38,316
Workers' Compensation.....	249,982
Technology Finance Corporation.....	4,127
Comprehensive Health Insurance.....	10,811
Heber Valley Historic Railroad Authority.....	1,096
Utah Science Center Authority.....	49
Utah State Fair Corporation	<u>1,296</u>
Total Unreserved	<u>305,677</u>

Total Component Units Proprietary

Type Funds Retained Earnings..... \$ 443,373

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

I. Component Units — Colleges and Universities

Reserved for:

University of Utah.....	\$ 519,153
Utah State University	111,236
Weber State University	55,026
Southern Utah University.....	36,477
Salt Lake Community College	26,572
Utah Valley State College	24,595
Dixie College	21,763
College of Eastern Utah	16,176
Snow College.....	8,084

Total Reserved \$ 819,082

Unreserved Designated for:

University of Utah.....	\$ 229,360
Utah State University	35,715
Weber State University	5,141
Southern Utah University.....	7,643
Salt Lake Community College	28,596
Utah Valley State College	23,441
Dixie College	2,474
Snow College.....	1,207

Total Unreserved Designated \$ 333,577

Unreserved Undesignated for:

Weber State University	\$ 12,139
Salt Lake Community College	6,299
Utah Valley State College	9,679
Dixie College	2,862
College of Eastern Utah	(1,383)
Snow College.....	2,152

Total Unreserved Undesignated \$ 31,748

NOTE 10. DEFICIT FUND BALANCES/RETAINED EARNINGS

Funds reporting a deficit fund balance or retained earnings position at June 30, 2000, are (expressed in thousands):

Internal Service Funds:

General Services	\$ 1,065
Natural Resources	\$ 2,945

The Internal Service Funds plan to increase their rates to cover these deficits.

Expendable Trust Funds:

Employers' Reinsurance Trust.....	\$ 330,086
Petroleum Underground Storage Tank	\$ 18,512

The deficit in the Employers' Reinsurance Fund represents the unfunded portion of the actuarial estimate of claims incurred. The Employers' Reinsurance Fund claims are funded from taxes on workers' compensation insurance. The Legislature has set tax rates and modified benefits to keep current revenues at a level sufficient to cover current cash disbursements. State law limits the State's liability to the cash or assets in the Employers' Reinsurance Fund only. State law also limits the Fund's liability to claims resulting from industrial accidents or occupational diseases occurring on or before June 30, 1994. For claims resulting from accidents or diseases on or after July 1, 1994, the employer or its insurance carrier is liable for resulting liabilities.

The Petroleum Underground Storage Tank Fund (Expendable Trust Fund which is part of the Restricted Trust Fund) covers the clean-up of leaks from state approved underground petroleum storage tanks. The assets in the fund are more than adequate to pay current claims. Unfunded future claims will be funded by future revenues.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 11. CHANGES IN CONTRIBUTED CAPITAL ACCOUNTS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Beginning Balance July 1, 1999	Additions Contributed Capital Transfers In	Deletions Contributed Capital Transfers Out	Ending Balance June 30, 2000
Enterprise Funds:				
Alcoholic Beverage Control	\$ 14,311	\$ 878	\$ 978	\$ 14,211
Utah Correctional Industries.....	3,103	—	—	3,103
State Trust Lands Administration.....	5,429	—	—	5,429
Agriculture Loan Fund	20,037	—	—	20,037
Clean Fuels Vehicle Loan Fund	1,650	—	—	1,650
Petroleum Storage Tank Loan Fund	5,000	—	—	5,000
Waste Tire Recycling Loan Fund	1,000	—	1,000	0
Revitalization Programs	400	—	—	400
Critical Land Conservation Fund	180	—	—	180
Total Enterprise Funds	<u>\$ 51,110</u>	<u>\$ 878</u>	<u>\$ 1,978</u>	<u>\$ 50,010</u>
Internal Service Funds:				
Water Resources Loan Fund.....	\$ 164,673	\$ 1,653	\$ —	\$ 166,326
Information Technology	8,263	—	—	8,263
Community Impact Loan Fund.....	108,237	9,854	—	118,091
Transportation Infrastructure Loan Fund.....	0	168	—	168
General Services	2,634	96	—	2,730
Fleet Operations	10,212	12,771	—	22,983
Human Services.....	581	—	482	99
Office of Education	143	—	—	143
Natural Resources.....	2,919	—	—	2,919
Risk Management.....	766	—	—	766
Property Management.....	200	—	28	172
Total Internal Service Funds.....	<u>\$ 298,628</u>	<u>\$ 24,542</u>	<u>\$ 510</u>	<u>\$ 322,660</u>
Component Units – Proprietary Type Funds:				
Technology Finance Corporation	\$ 3,192	\$ —	\$ —	\$ 3,192
Utah State Fair Corporation	756	—	—	756
Total Component Units – Proprietary Type Funds	<u>\$ 3,948</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,948</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 12. OPERATING AND RESIDUAL EQUITY TRANSFERS

Operating transfers among funds occur when one fund collects revenue and transfers the assets to another fund for expenditure. The transfers occur only after being legally authorized by the Legislature through statute or an *Appropriation Act*. For the fiscal year ended June 30, 2000, the operating transfers by fund are as follows:

Operating Transfers (Expressed in Thousands)							
Special Revenue Funds							
	General Fund	Uniform School Fund	Transportation Fund	Centennial Highway Fund	State Capitol Fund	Rural Development Fund	Capital Projects Fund
Transfers Out:							
General Fund.....	\$ —	\$ 1,455	\$ 15,722	\$ 122,000	\$ 2,098	\$ 86	\$ 48,307
Special Revenue Funds:							
Uniform School Fund	180,025	—	—	—	—	—	11,816
Transportation Fund.....	26,515	—	—	64,283	—	—	—
Sports Authority Fund.....	1,112	—	—	—	—	—	—
Consumer Education Fund	101	—	—	—	—	—	—
Centennial Highway Fund	—	—	—	—	—	—	161
Capital Projects Fund.....	361	—	6,359	—	—	—	—
Enterprise Funds	29,016	—	—	—	—	—	—
Internal Service Funds	7,639	45	74	—	—	—	—
Expendable Trust Funds	3,300	8,452	—	—	—	—	—
Total Transfers In	\$ 248,069	\$ 9,952	\$ 22,155	\$ 186,283	\$ 2,098	\$ 86	\$ 60,284

Continues Below

	Debt Service Fund	Enterprise Funds	Internal Service Funds	Expendable Trust Funds	Nonexpendable Trust Fund	Total Transfers Out
Transfers Out:						
General Fund.....	\$ 72,509	\$ 2,750	\$ 392	\$ 98	\$ 12	\$ 265,429
Special Revenue Funds:						
Uniform School Fund	20,153	—	—	—	—	211,994
Transportation Fund.....	—	—	—	—	—	90,798
Sports Authority Fund.....	—	—	—	—	—	1,112
Consumer Education Fund	—	—	—	—	—	101
Centennial Highway Fund	42,245	—	—	—	—	42,406
Capital Projects Fund.....	2,081	—	—	—	—	8,801
Enterprise Funds	—	—	—	250	—	29,266
Internal Service Funds	—	—	—	—	—	7,758
Expendable Trust Funds	—	—	—	—	—	11,752
Total Transfers In	\$ 136,988	\$ 2,750	\$ 392	\$ 348	\$ 12	\$ 669,417

In addition, the General Fund transferred \$3.605 million to the component units' Proprietary Funds and \$500.036 million to Colleges and Universities, respectively. The Uniform School Fund also transferred \$13 thousand to Colleges and Universities, which represents the net working capital from the conversion of Sevier Valley Applied Technology Center to Snow College south campus.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Residual equity transfers occur when nonroutine transfers are made from one fund to another. These transfers are usually made to provide for working capital. However, during fiscal year 2000 a portion of the Human Services Internal Service Fund was closed and transferred to the General Fund. This resulted in a cash transfer of \$62 thousand from the Internal Service Funds to the General Fund and the transfer of fixed assets with an original cost of \$450 thousand and accumulated depreciation of \$126 thousand from the Internal Service Funds to the General Fixed Assets Account Group.

Also, legislation from the 2000 General Session closed the Waste Tire Recycling Enterprise Fund and required the balances in the fund to be moved to the Waste Tire Recycling Expendable Trust Fund. Accordingly, \$978 thousand of cash and \$254 thousand of loans and interest receivable were transferred from the Enterprise Funds to the Expendable Trust Funds.

The State consolidated motor pool vehicles, that were previously managed by other state agencies, into the Central Motor Pool managed by Fleet Operations (Internal Service Fund). As a result, vehicles and equipment with an original cost of \$19.135 million and accumulated depreciation of \$10.392 million were transferred from the General Fixed Assets Account Group to the Fleet Operations Internal Service Fund.

For the fiscal year ended June 30, 2000, the residual equity transfers by fund are as follows:

Residual Equity Transfers (Expressed in Thousands)					
	General Fund	Enterprise Funds	Internal Service Funds	Trust and Agency Funds	Total Transfers
Transfers Out:					
General Fund	\$ —	\$ 867	\$ 15,506	\$ —	\$ 16,373
Transportation Fund	—	—	168	—	168
Enterprise Funds	967	—	—	1,232	2,199
Internal Service Funds	62	—	—	—	62
Total Transfers In	\$ 1,029	\$ 867	\$ 15,674	\$ 1,232	\$ 18,802

NOTE 13. SEGMENT INFORMATION FOR ENTERPRISE FUNDS AND COMPONENT UNITS

A. The State of Utah has eleven enterprise funds, seven proprietary type component units, and college and university component units which are described below.

Enterprise Funds:

- **Alcoholic Beverage Control** — The Alcoholic Beverage Control Commission administers the *Alcoholic Beverage Control Act* with financing from operations which include the sale of liquor products.
- **Student Assistance Programs** — This is made up of two separate student assistance programs administered by the Utah State Board of Regents – Utah Higher Education Assistance Authority. The two programs are the Student Loan Guarantee Program, which guarantees repayment of eligible student loans, and the

Student Loan Purchase Program, which makes loans to and purchases loans of eligible students. The programs are funded from bond proceeds, loan fees, interest, and federal allowances.

- **Utah Correctional Industries** — The Correctional Industries provide employment for prisoners at the Utah State Prison. It is funded by charges for services and the sale of goods produced.
- **State Trust Lands Administration** — The Administration manages the assets of the State School and Institutional Trust Lands, nonexpendable trust fund.
- **Agriculture Loan Fund** — The Fund issues farm loans for soil and water conservation projects and for the rehabilitation of rural areas within the State.
- **Utah Dairy Commission** — The Dairy Commission promotes dairy products through advertising, research, and nutritional education. It is funded by collections from milk producers.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

- Clean Fuels Vehicle Loan Fund — The Fund provides loans to government and private fleets for the conversion of their vehicles to clean fuel.
- Petroleum Storage Tank Loan Fund — The Fund provides loans to private business to repair, replace, upgrade, or close petroleum storage tanks to prevent leakage.
- Waste Tire Recycling Loan Fund — The Fund provides loans to private business to promote waste tire recycling in the State.
- Revitalization Programs — This is made up of two Revitalization Programs: the Uintah Basin Revitalization Fund and the San Juan Navajo Revitalization Fund. The Fund makes grants and loans to county agencies, the Ute Indian Tribe, and the Navajo Nation to benefit the citizens of the Uintah Basin and San Juan County for the social and economic impacts of mineral resource development. Funding is from appropriations, oil and gas severance taxes, and interest earnings.
- Critical Land Conservation Fund — The LeRay McAllister Critical Land Conservation Fund issues loans and grants to assist local entities in their effort to preserve open land in the State.

Proprietary Type Component Units:

- Utah Housing Finance Agency — The Agency issues bonds to provide capital for housing for low and moderate income families. Operations are financed from bond proceeds and from mortgage and investment interest and fees.
- Workers' Compensation Fund of Utah — The Fund provides workers' compensation insurance to private and public employers and is financed through employer premiums.

- Utah Technology Finance Corporation — The Corporation is a corporate body created to encourage and assist small and emerging businesses involved in innovation and high technology in the State. The Corporation is operated from grants, earnings, and state appropriations.
- Comprehensive Health Insurance Pool — The Pool provides access to health insurance coverage for residents of the State who are considered uninsurable.
- Heber Valley Historic Railroad Authority — The Authority operates and maintains a scenic and historic railway in Wasatch County.
- Utah Science Center Authority — The Authority provides a means to foster the development of science, arts, tourism, and cultural and educational facilities within the State.
- Utah State Fair Corporation — The nonprofit Corporation operates the State Fair Park and conducts the Utah State Fair and other various expositions and entertainment events.

Colleges and Universities Component Units:

- College and University Funds account for the operations of institutions of higher education.
- B. Various bond resolutions place restrictions on the use of certain assets. As of June 30, 2000, restrictions have been placed on \$50.621 million of Housing Finance Agency assets and \$977.580 million of Student Loan Purchase Program assets.
- C. Segment information for the fiscal year ended June 30, 2000, is as follows:

(Table presented on next page)

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Component Units — Proprietary Type Funds Segment Information (Expressed in Thousands)

	Housing Finance Agency	Workers' Compensation	Technology Finance Corporation	Comprehensive Health Insurance	Heber Valley Historic Railroad Authority	Utah Science Center Authority	Utah State Fair Corporation	Total
Operating Revenue.....	\$ 78,876	\$ 115,727	\$ 1,275	\$ 3,598	\$ 910	\$ 10	\$ 3,608	\$ 204,004
Operating Expenses:								
Depreciation	238	1,997	89	—	76	12	63	2,475
Other	67,727	114,764	1,179	5,287	746	26	3,849	193,578
Operating Income (Loss)	10,911	(1,034)	7	(1,689)	88	(28)	(304)	7,951
Operating Transfers from Primary Government..	—	—	—	4,135	—	—	470	4,605
Federal Grants.....	—	—	44	—	—	—	—	44
Other Non-Operating Income (Loss)	—	462	354	529	—	1	105	1,451
Net Income (Loss).....	\$ 10,911	\$ (572)	\$ 405	\$ 2,975	\$ 88	\$ (27)	\$ 271	\$ 14,051
Current Assets.....	\$ 255,121	\$ 715,225	\$ 9,736	\$ 12,404	\$ 56	\$ 22	\$ 1,981	\$ 994,545
Current Liabilities	123,549	100,387	319	1,593	218	—	221	226,287
Net Working Capital	\$ 131,572	\$ 614,838	\$ 9,417	\$ 10,811	\$ (162)	\$ 22	\$ 1,760	\$ 768,258
Total Assets	\$ 1,287,792	\$ 780,777	\$ 16,292	\$ 12,404	\$ 1,534	\$ 49	\$ 2,273	\$ 2,101,121
Total Liabilities	1,127,722	521,525	2,301	1,593	438	—	221	1,653,800
Fund Equity	\$ 160,070	\$ 259,252	\$ 13,991	\$ 10,811	\$ 1,096	\$ 49	\$ 2,052	\$ 447,321
Long-Term Liabilities.....	\$ 1,004,173	\$ 421,138	\$ 1,982	\$ —	\$ 220	\$ —	\$ —	\$ 1,427,513
Current Capital Contributions	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 0
Fixed Assets								
July 1, 1999	\$ 2,403	\$ 17,470	\$ 1,125	\$ —	\$ 1,664	\$ 87	\$ 1,328	\$ 24,077
Additions	253	2,267	15	—	213	—	30	2,778
Deletions	(233)	(53)	(41)	—	—	—	—	(327)
Fixed Assets June 30, 2000	\$ 2,423	\$ 19,684	\$ 1,099	\$ —	\$ 1,877	\$ 87	\$ 1,358	\$ 26,528

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

**Enterprise Funds
Segment Information**
(Expressed in Thousands)

	Alcoholic Beverage Control	Student Assistance Programs	Utah Correctional Industries	Trust Lands Administration	Agriculture Loan Fund	Utah Dairy Commission
Operating Revenue.....	\$ 117,399	\$ 93,591	\$ 14,119	\$ 4,928	\$ 1,187	\$ 2,108
Operating Expenses:						
Depreciation.....	967	223	81	208	3	9
Other	87,195	78,231	14,502	4,557	217	2,025
Operating Income (Loss).....	29,237	15,137	(464)	163	967	74
Operating Transfers In (Out).....	(28,659)	(250)	—	—	(233)	—
Tax Revenues.....	—	—	—	—	500	—
Non-Operating Income (Loss)	(578)	2,234	(55)	(50)	—	28
Net Income (Loss).....	<u>\$ 0</u>	<u>\$ 17,121</u>	<u>\$ (519)</u>	<u>\$ 113</u>	<u>\$ 1,234</u>	<u>\$ 102</u>
Current Assets.....	\$ 15,855	\$ 402,955	\$ 3,751	\$ 6,669	\$ 10,758	\$ 546
Current Liabilities	15,654	66,595	1,084	6,081	33	132
Net Working Capital	<u>\$ 201</u>	<u>\$ 336,360</u>	<u>\$ 2,667</u>	<u>\$ 588</u>	<u>\$ 10,725</u>	<u>\$ 414</u>
Total Assets.....	\$ 40,556	\$ 1,086,987	\$ 5,988	\$ 11,897	\$ 30,104	\$ 975
Total Liabilities	26,345	924,869	2,359	6,081	33	132
Fund Equity	<u>\$ 14,211</u>	<u>\$ 162,118</u>	<u>\$ 3,629</u>	<u>\$ 5,816</u>	<u>\$ 30,071</u>	<u>\$ 843</u>
Long-Term Liabilities	<u>\$ 10,691</u>	<u>\$ 858,274</u>	<u>\$ 1,275</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Current Capital Contributions In ..	<u>\$ 878</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Current Capital Contributions Out..	<u>\$ (978)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Fixed Assets – July 1, 1999	\$ 30,138	\$ 1,099	\$ 2,936	\$ 3,709	\$ 20	\$ 210
Additions.....	1,396	646	1,308	2,324	—	6
Deletions	(782)	(444)	(18)	(301)	—	—
Fixed Assets – June 30, 2000.....	<u>\$ 30,752</u>	<u>\$ 1,301</u>	<u>\$ 4,226</u>	<u>\$ 5,732</u>	<u>\$ 20</u>	<u>\$ 216</u>

Clean Fuels Vehicle Loan Fund	Petroleum Storage Tank Loan Fund	Waste Tire Recycling Loan Fund	Revitalization Programs	Critical Land Conservation Fund	Total
\$ 138	\$ 282	\$ 41	\$ 141	\$ 9	\$ 233,943
—	—	—	—	—	1,491
49	27	—	839	939	188,581
89	255	41	(698)	(930)	43,871
—	(124)	—	—	2,750	(26,516)
—	—	—	1,227	—	1,727
—	—	—	—	202	1,781
<u>\$ 89</u>	<u>\$ 131</u>	<u>\$ 41</u>	<u>\$ 529</u>	<u>\$ 2,022</u>	<u>\$ 20,863</u>
\$ 2,425	\$ 4,339	\$ —	\$ 3,536	\$ 3,477	\$ 454,311
40	1	—	119	939	90,678
<u>\$ 2,385</u>	<u>\$ 4,338</u>	<u>\$ —</u>	<u>\$ 3,417</u>	<u>\$ 2,538</u>	<u>\$ 363,633</u>
\$ 2,571	\$ 5,530	\$ —	\$ 3,536	\$ 3,477	\$ 1,191,621
40	1	—	119	939	960,918
<u>\$ 2,531</u>	<u>\$ 5,529</u>	<u>\$ —</u>	<u>\$ 3,417</u>	<u>\$ 2,538</u>	<u>\$ 230,703</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 870,240</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 878</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,000)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,978)</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 38,112
—	—	—	—	—	5,680
—	—	—	—	—	(1,545)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,247</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Component Units — Colleges and Universities
Segment Information
(Expressed in Thousands)

	University of Utah	Utah State University	Weber State University	Southern Utah University	Salt Lake Community College	Utah Valley State College	Dixie College	College of Eastern Utah	Snow College	Total
Revenues and										
Other Additions	\$ 1,490,192	\$ 305,158	\$ 82,452	\$ 71,650	\$ 95,139	\$ 110,698	\$ 25,976	\$ 19,032	\$ 18,557	\$2,218,854
Expenditures and										
Other Deductions	(1,560,741)	(374,626)	(123,702)	(69,502)	(124,616)	(123,462)	(35,023)	(29,473)	(31,485)	(2,472,630)
Operating Transfers from										
Primary Government	190,632	114,970	50,610	22,794	47,586	33,219	14,127	11,032	15,079	500,049
Residual Equity Transfers	—	—	—	—	—	—	—	—	19,710	19,710
Net Increase (Decrease) in										
Fund Balances	120,083	45,502	9,360	24,942	18,109	20,455	5,080	591	21,861	265,983
Fund Balances –										
July 1, 1999	<u>1,884,079</u>	<u>515,467</u>	<u>257,833</u>	<u>130,860</u>	<u>196,550</u>	<u>154,003</u>	<u>83,071</u>	<u>63,310</u>	<u>63,065</u>	<u>3,348,238</u>
Fund Balances –										
June 30, 2000	<u>\$2,004,162</u>	<u>\$ 560,969</u>	<u>\$ 267,193</u>	<u>\$ 155,802</u>	<u>\$ 214,659</u>	<u>\$ 174,458</u>	<u>\$ 88,151</u>	<u>\$ 63,901</u>	<u>\$ 84,926</u>	<u>\$3,614,221</u>
Total Assets	<u>\$2,501,275</u>	<u>\$ 650,981</u>	<u>\$ 286,017</u>	<u>\$ 175,853</u>	<u>\$ 239,599</u>	<u>\$ 214,042</u>	<u>\$ 100,042</u>	<u>\$ 72,667</u>	<u>\$ 87,567</u>	<u>\$4,328,043</u>
Total Liabilities	<u>\$ 497,113</u>	<u>\$ 90,012</u>	<u>\$ 18,824</u>	<u>\$ 20,051</u>	<u>\$ 24,940</u>	<u>\$ 39,584</u>	<u>\$ 11,891</u>	<u>\$ 8,766</u>	<u>\$ 2,641</u>	<u>\$ 713,822</u>
Total Fixed Assets	<u>\$1,592,640</u>	<u>\$ 447,239</u>	<u>\$ 203,252</u>	<u>\$ 137,980</u>	<u>\$ 166,484</u>	<u>\$ 128,542</u>	<u>\$ 69,787</u>	<u>\$ 55,251</u>	<u>\$ 74,069</u>	<u>\$2,875,244</u>
Current Funds:										
Revenues	\$ 976,779	\$ 222,412	\$ 64,567	\$ 39,672	\$ 55,115	\$ 64,530	\$ 16,741	\$ 13,393	\$ 13,317	\$1,466,526
Expenditures	(1,211,243)	(329,740)	(113,055)	(61,120)	(96,319)	(94,181)	(29,369)	(24,595)	(28,047)	(1,987,669)
Excess Restricted Receipts Over										
Transfers to Revenues	11,842	10,341	340	(186)	(234)	(241)	(229)	167	87	21,887
Mandatory Transfers Out	(38,599)	(3,479)	—	(1,303)	(81)	—	(512)	(326)	(86)	(44,386)
Nonmandatory Transfers Out ..	29,263	(9,494)	(1,137)	162	(4,745)	(1,299)	12	66	(13)	12,815
Operating Transfers from										
Primary Government	<u>190,632</u>	<u>114,970</u>	<u>50,610</u>	<u>22,794</u>	<u>47,586</u>	<u>33,219</u>	<u>14,127</u>	<u>11,032</u>	<u>15,066</u>	<u>500,036</u>
Net Increase (Decrease) in										
Fund Balances	<u>\$ (41,326)</u>	<u>\$ 5,010</u>	<u>\$ 1,325</u>	<u>\$ 19</u>	<u>\$ 1,322</u>	<u>\$ 2,028</u>	<u>\$ 770</u>	<u>\$ (263)</u>	<u>\$ 324</u>	<u>\$ (30,791)</u>

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation

- The State is involved in various legal actions arising in the ordinary course of business. The State is vigorously contesting all of these matters, but as of this date it is not possible to determine the outcome of these proceedings. In the opinion of the Attorney General and management, the ultimate disposition of these matters will not have a material adverse effect on the State's financial position.
- Among the legal proceedings is a suit filed by the Navajo Nation who alleges the State of Utah has mismanaged Navajo Trust Fund moneys. The plaintiffs are seeking an accounting of the legitimacy of the fund's receipts, disbursements, and damages. There is no way to estimate the outcome of this case, since this is a case of first impression and there is no similar case law available to help predict the outcome. However, if the State were ultimately held liable, the liability could be up to \$50 million plus interest and attorneys' fees.
- A suit filed by the United Mine Workers of America claims the State Legislature wrongfully reallocated revenue generated from the Utah Enabling Act's Miners Hospital Grant lands to the University of Utah Medical Center. The plaintiffs seek certification of the suit as a class action, a declaration that a separate hospital for disabled miners is required and that the proceeds received from the lands must be separately maintained. It also seeks a full accounting of all assets, together with an order requiring the State to establish a hospital to be maintained for disabled miners. It is not possible at this time to estimate the outcome or the financial impact an adverse ruling would have upon the State. However, if the State were ultimately held liable, the liability could range from \$1 million to \$20 million.
- A suit was filed by the Colorado Interstate Gas Company for refund of natural gas royalties paid to the predecessor agencies of the School and Institutional Trust Lands Administration in the 1970's. The plaintiff claims that changes in federal price regulations for natural gas caused it to overpay royalties to the State of Utah and it seeks a refund of these royalties. In early 1999, the Eighth District Court entered Summary Judgment in favor of the School and Institutional Trust Lands Administration. The plaintiff has appealed the District Court's decision to the Utah Supreme Court. If the State were ultimately held liable, the estimated cost would be \$1.5 million plus \$1.3 million of accrued interest, and attorney's costs.
- The United States Bureau of Land Management (BLM) has asserted that in the early 1900's the State sold federal lands in Utah and Iron County that were mistakenly believed to be state lands. The BLM claims the Trust Lands Administration liability may exceed \$11 million. It is not possible to estimate the amount or range of potential liability at this time because

the amount received from such sales has not been calculated and the current value of the disputed lands is not known.

- The Utah Department of Transportation (UDOT) exercised eminent domain power to acquire real property belonging to EIMCO. UDOT's appraisal of the property was \$209 thousand and EIMCO appraisal was \$24 million. When the parties could not agree on a value of the property, an action was filed in the Third District Court to have the value determined through litigation. Settlement discussions have not resolved the issue. Trial was set to begin November 6, 2000. An estimate cannot be made of the final settlement at this time.

B. Contingencies

- Financial and compliance audits (Single Audit) of federal grants, contracts, and agreements were conducted under the provisions of the Federal Office of Management and Budget's circulars. As a result of the audits, identified questioned costs are immaterial. Other audit findings on noncompliance cannot be estimated as to the potential liability. The Single Audit for the fiscal year ended June 30, 2000, is in process and management expects proposed disallowances to be immaterial.
- Management's estimated liability for the Underground Petroleum Storage Tank Fund (Expendable Trust Fund which is part of the Restricted Trust Fund) is highly sensitive to change based on the short period of historical data and the uncertainties in estimating costs. Since it is not possible to determine the occurrence date of a leak in an underground storage tank, it is not possible to estimate the number or the associated costs of leaks that have not been detected.
- The State is totally self-insured against liability claims and up to \$2.5 million in property claims. According to an actuarial study and other known factors, \$33.449 million exists as either incurred but unfilled or unpaid claims. This amount is reported as a liability of the Administrative Services Risk Management Fund (Internal Service Fund).
- The Utah School Bond Guaranty Act (*Utah Code Annotated, 1953*, as amended, Sections 53A-28-101 to 402), which took effect on January 1, 1997, pledges the full faith, credit, and unlimited taxing power of the State to guaranty full and timely payment of the principal and interest on general obligation bonds issued by qualifying local school boards. The primary purpose of the Guaranty Act is to reduce borrowing costs for local school boards by providing credit enhancement for Guaranteed Bonds.

In the event a school board is unable to make the scheduled debt service payments on its Guaranteed Bonds, the State is required to make such payments in a timely manner. For this purpose, the State may use any available moneys, may use short-term borrowing from the State Permanent School Fund (Trust Lands Nonexpendable Trust Fund), or may issue short-

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

term general obligation notes. The local school board remains liable to the State for any such payments on Guaranteed Bonds. Reimbursements to the State may be obtained by intercepting payment of state funds intended for the local school board. The State may also compel the local school board to levy a tax sufficient to reimburse the State for any guaranty payments.

The State Superintendent of Public Instruction is charged with monitoring the financial condition of local school boards and reporting, at least annually, its conclusions to the Governor, the Legislature, and the State Treasurer. The State Superintendent must report immediately any circumstances which suggest a local school board may not be able to pay its debt service obligations when due. The State does not expect that it will be required to advance moneys for the payment of debt service on Guaranteed Bonds for any significant period of time.

Since the inception of the Guaranty Act, the local school boards have issued \$886.23 million principal amount of Guaranteed Bonds. Of this amount, \$827.68 million was outstanding at June 30, 2000. The State estimates that an additional \$20 million principal amount of Guaranteed Bonds may be issued during the remainder of calendar year 2000. The State cannot predict the amount of bonds that may be guaranteed in future years, but no limitation is currently imposed by the Guaranty Act.

- The Attorney General of the State sued the tobacco industry for medical costs related to smoking. The State of Utah has signed on to a master settlement agreement along with 46 other states. The major tobacco manufacturers and most smaller manufacturers have joined the agreement. The State received \$27.7 million from tobacco companies in fiscal year 2000 and expects to receive approximately \$19.3 million in fiscal year 2001. Annual payments are expected to continue for the next ten years but will be adjusted for factors such as inflation, decreased sales volume, previously settled law suits, disputed payments, and attorneys fees.

C. Commitments

- At June 30, 2000, the General Fund had loan and grant commitments of approximately \$78.206 million (\$73.754 million in loans, \$4.452 million in grants). The State will receive federal funds for approximately \$24.735 million of the loan commitments.
- The State Retirement Systems (Pension Trust Funds) has at December 31, 1999, committed to fund certain venture capital partnerships and real estate projects for an amount of \$1.392 billion. Funding of \$607 million has been provided, leaving an unfunded commitment of \$785 million as of December 31, 1999.
- As of June 30, 2000, the Utah Housing Finance Agency (Component Unit, Proprietary Fund Type) has committed to purchase mortgages under the Single-Family Mortgage Purchase Program in the amount of \$21.824 million.

- At June 30, 2000, the Internal Service Funds had loan and grant commitments of approximately \$95.533 million (\$87.272 million in loans, \$8.261 million in grants).
- At June 30, 2000, the Enterprise Funds had loan commitments of \$128.2 thousand.
- At June 30, 2000, the Utah Higher Education Assistance Authority Student Loan Guarantee Program (Student Assistance Program, Enterprise Fund) had guaranteed student loans outstanding with an original principal amount of approximately \$1.324 billion.
- At June 30, 2000, the Department of Transportation had construction and other contract commitments of \$316.710 million, of which \$185.741 million is for Centennial Highway Fund (Special Revenue Fund) projects and \$130.969 million is for Transportation Fund (Special Revenue Fund) projects. These commitments will be funded with bonded debt and future appropriations.

NOTE 15. JOINT VENTURES

The Utah Communications Agency Network (UCAN) was created by the State Legislature in 1997 as an independent agency. Its purpose is to provide a single, coordinated public safety communication system in an eight-county area in Northern Utah. The fiscal year ending June 30, 2000, was UCAN's second year of operations.

UCAN's governing board is made of ten representatives from local governments and five representatives from state agencies. The chairman of the board of UCAN is the Commissioner of Public Safety for the State of Utah. The State has contracted to purchase communications services from UCAN and will begin receiving services in fiscal year 2001.

In fiscal year 1998 the State provided startup capital of \$185,000. UCAN receives federal funds as a subrecipient of grants awarded to the Department of Public Safety. UCAN also may receive legal counsel from the Attorney General's Office at no cost. Contracts with state agencies are estimated to provide nearly 40 percent of UCAN's operating revenues once the communication system is complete.

UCAN has \$17.992 million of certificates of participation debt outstanding, which was issued to purchase and install microwave towers and equipment. UCAN's debt is not a legal obligation of the State; however, if UCAN cannot meet its debt service requirements, state law allows the Governor to request an appropriation to restore the debt service reserve fund to its required level or to meet any principal or interest payment deficiency. The Legislature is not required to make any such appropriation, but if made, UCAN must repay the State within 18 months. To date, UCAN has never requested any such funding from the State and has had sufficient

STATE OF UTAH

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resources to cover its debt service and debt service reserve requirements.

The State Auditor's Office audits UCAN's financial statements. Copies of those statements can be obtained from UCAN's administrative office or from the State Auditor's Office.

NOTE 16. PENSION PLANS

Eligible employees of the State are covered by one of the following retirement plans:

A. Utah State Retirement Systems

The Utah State Retirement Systems (Systems) were established by Section 49 of *Utah Code Annotated, 1953*, as amended. The Utah State Retirement Office administers the Systems and Plans under the direction of the Utah Retirement Board, which consists of the State Treasurer and six members appointed by the Governor. The Board has a separate accounting system and prepares a separately issued financial report covering all retirement systems and deferred compensation plans administered by it. The Systems and Plans maintain records and accounts and prepare separately issued financial statements using fund accounting principles and the accrual basis of accounting, under which expenses, including benefits and refunds, are recorded when the liability is incurred and revenues, including contributions, are recorded in the accounting period in which they are earned and become measurable. The Board's accounting system reports on a calendar yearend. The December 31, 1999, financial report has been included in this Comprehensive Annual Financial Report as a Pension Trust Fund for the Public Employees Retirement System (PERS). The Deferred

Compensation 457 Plan is reported as an expendable trust fund. Copies of the separately issued financial report that include financial statements and required supplemental information may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The Systems are comprised of the following groups of plans covering substantially all employees of the State, public education, and other political subdivisions of the State:

- The Public Employees Contributory Retirement System (Contributory System); the Public Employees Noncontributory Retirement System (Noncontributory System); and the Fire-fighters Retirement System, which are defined-benefit multiple-employer, cost-sharing, public employee retirement systems;
- The Public Safety Retirement System, which is a defined-benefit mixed cost-sharing and agent, multiple-employer retirement system;
- The Judges Retirement System and the Governors and Legislative Pension Plan, which are defined-benefit single-employer public employee retirement systems; and
- The 401(k) and 457 which are defined-contribution plans.

Retirement benefits are specified by Section 49 of *Utah Code Annotated, 1953*, as amended. The Retirement Systems are defined-benefit plans in which the benefits are based on age and/or years of service and highest average salary. Various plan options within the Systems may be selected by retiring members. Some of the options require actuarial reductions based on attained age, age of spouse, and similar actuarial factors. A brief summary of eligibility for and benefits of the Systems is provided in the following table:

(Table presented on next page)

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Summary of Eligibility and Benefits

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System
Highest Average Salary	Highest 5 Years	Highest 3 Years	Highest 3 Years		Highest 2 Years
Years of Service	30 years any age	30 years any age	20 years any age		25 years any age
Required and/or Age	20 years age 60	*25 years any age	10 years age 60		*20 years age 55
Eligible for Benefit	10 years age 62 4 years age 65	20 years age 60 10 years age 62 4 years age 65	4 years age 65		10 years age 62 6 years age 70
Benefit Percent per Year of Service	1.10% to June 1967 1.25% July 1967 to June 1975 2.00% July 1975 to present	2.00% per year	2.50% per year up to 20 years 2.00% per year over 20 years		5.00% first 10 years 2.25% second 10 years 1.00% over 20 years

*With full actuarial reductions

Former governors at age 65 receive \$1,020 per month per term. Legislators receive a benefit actuarially reduced at age 62 with ten or more years of service, or an unreduced benefit at age 65 with four or more years of service at the rate of \$22.80 per month per year of service. Both the governors' and legislators' benefits are adjusted based on the Consumer Price Index (CPI), limited to 4 percent of the base benefit per year.

Death benefits for active and retired employees are in accordance with retirement statutes. Upon termination of employment, members of the Systems may leave their retirement account intact for future

benefits based on vesting qualification, or withdraw the accumulated funds in their individual member account and forfeit service credits and rights to future benefits upon which the contributions were based.

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by the Board. Employee contributions may be paid in part or in whole by the employer. Contributions in some Systems are also augmented by fees, insurance premium taxes, or legislative appropriations. Below is a summary of plan participants.

Participants December 31, 1999

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System	Judges System	Governors and Legislative Pension Plan
Number of participating:						
Employers	165	356	115	38	1	1
Members:						
Active	4,101	81,132	6,631	1,386	106	94
Terminated vested	1,500	15,115	757	48	3	82
Retirees and beneficiaries:						
Service benefits	8,545	16,196	2,170	710	73	221
Disability benefits	203	—	54	63	—	—

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Employer contribution rates consist of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the members during the current service year) and (2) an amount for amortization of the unfunded actuarial accrued liability over a period representing the remainder of the original 30 year amortization period. These rates are determined using the entry age actuarial cost method with a supplemental present value.

The following table presents the State of Utah's actuarially determined employer contributions required and paid to the State Retirement Systems. These amounts are equal to the annual pension costs for each of the stated years and all of these amounts were paid for each year. Accordingly, the net pension obligation (NPO) at the end of each year was zero. For the Governors and Legislative Pension Plan, there has been no annual pension cost, required contributions, or NPO because the plan was overfunded for each of these years.

State of Utah's Employer Contributions Required and Paid For Fiscal Years Ended June 30 (Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System	Judges System	Total All Systems
Primary Government:						
2000.....	\$ 4,943	\$ 75,769	\$ 19,717	\$ 70	\$ 1,572	\$ 102,071
1999.....	\$ 5,005	\$ 72,361	\$ 17,075	\$ 67	\$ 1,868	\$ 96,376
1998.....	\$ 5,082	\$ 67,040	\$ 16,106	\$ 58	\$ 1,899	\$ 90,185
1997.....	\$ 5,202	\$ 61,782	\$ 13,865	\$ 44	\$ 1,721	\$ 82,614
1996.....	\$ 6,554	\$ 51,530	\$ 12,772	\$ 38	\$ 1,501	\$ 72,395
Component Units:						
Colleges and Universities:						
2000.....	\$ 2,469	\$ 32,839	\$ 445	\$ —	\$ —	\$ 35,753
1999.....	\$ 2,457	\$ 30,789	\$ 356	\$ —	\$ —	\$ 33,602
1998.....	\$ 2,478	\$ 29,214	\$ 344	\$ —	\$ —	\$ 32,036
1997.....	\$ 2,548	\$ 29,694	\$ 318	\$ —	\$ —	\$ 32,560
1996.....	\$ 3,066	\$ 25,751	\$ 97	\$ —	\$ —	\$ 28,914
Proprietary Type Funds:						
2000.....	\$ 143	\$ 2,416	\$ —	\$ —	\$ —	\$ 2,559
1999.....	\$ 134	\$ 2,158	\$ —	\$ —	\$ —	\$ 2,292
1998.....	\$ 130	\$ 1,989	\$ —	\$ —	\$ —	\$ 2,119
1997.....	\$ 122	\$ 1,756	\$ —	\$ —	\$ —	\$ 1,878
1996.....	\$ 149	\$ 1,297	\$ —	\$ —	\$ —	\$ 1,446
Total Primary Government and Component Units:						
2000.....	\$ 7,555	\$ 111,024	\$ 20,162	\$ 70	\$ 1,572	\$ 140,383
1999.....	\$ 7,596	\$ 105,308	\$ 17,431	\$ 67	\$ 1,868	\$ 132,270
1998.....	\$ 7,690	\$ 98,243	\$ 16,450	\$ 58	\$ 1,899	\$ 124,340
1997.....	\$ 7,872	\$ 93,232	\$ 14,183	\$ 44	\$ 1,721	\$ 117,052
1996.....	\$ 9,769	\$ 78,578	\$ 12,869	\$ 38	\$ 1,501	\$ 102,755

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

The following schedule summarizes contribution rates in effect as of December 31, 1999:

Contribution Rates as a Percent of Covered Payroll

System	Member	Employer	Other
Contributory	6.00%	6.73% – 9.67%	—
Noncontributory	—	10.74% – 14.16%	—
Public Safety:			
Contributory	10.50% – 13.74%	6.84% – 24.00%	—
Noncontributory	—	18.43% – 36.14%	—
Firefighters:			
Group A	13.31%	—	8.60%
Group B	16.71%	0.54%	8.60%
Judges	8.00%	7.39% – 15.39%	21.16%
Governors and Legislative	—	—	—

401(k) and 457 Defined-Contribution Plans

The 401(k) Plan and 457 Plan administered by the Retirement Board in which the State participates are defined-contribution plans. These Plans are available as supplemental plans to the basic retirement benefits of the retirement systems for employees of employers which have adopted the 401(k) and 457 Plans. Voluntary contributions may be made into the Plans subject to Plan and Internal Revenue Code limitations. Employer contributions may be made into the Plans at rates determined by the employers. There are 303 employers participating in the 401(k) Plan and 155 employers participating in the 457 Plan. There are 118,399 employees and retirees of those employers who are members of the 401(k) Plan and 9,131 who are members of the 457 Plan.

After termination of employment, benefits are paid out to individuals in lump sum, or as periodic benefit payments, at the option of the participant based on individual account balances. The 401(k) and 457 Deferred Compensation Plans account balances are fully vested to the participants at the time of deposit. Investments of the plans are reported at fair value. No single investment of the Plan constitutes five percent or more of the total plan assets.

Employees of the State are eligible to participate in the deferred compensation 401(k) Plan. The State and participating employers are required to contribute to employees who participate in the noncontributory retirement plan. The State contributes 1.5 percent of eligible employees' salaries which amount vests immediately. The amounts contributed to the 401(k) Plan during the year ended

June 30, 2000, by employees and employers are as follows: for Primary Government, \$28.872 million and \$8.757 million; for Component Units – Colleges and Universities, \$2.004 million and \$3.409 million; for Component Units – Proprietary, \$926 thousand and \$259 thousand; and the combined total for all is \$31.802 million and \$12.425 million, respectively.

Pension Plan Receivables and Investments

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on an amortized cost basis which approximates market or fair value. The fair value of real estate investments has been estimated based on independent appraisals. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair value for the individual investments. Approximately 11 percent of the net assets held in trust for the pension benefits are invested in bonds of the U.S. Government and its instrumentalities. The Systems have no investments of any commercial or industrial organization whose market value equals five percent or more of the Systems' net assets available for benefits. The principal components of the receivables and investment categories are presented below.

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Pension Receivables and Investments (Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System	Judges System	Governors and Legislative Pension Plan	401 (k) Plan	Total December 31, 1999
Receivables:								
Member Contributions	\$ 377	\$ —	\$ 143	\$ 257	\$ —	\$ —	\$ —	\$ 777
Employer Contributions	552	18,397	1,651	6	61	—	—	20,667
Court Fees and Fire Insurance Premium	—	—	—	—	184	—	—	184
Investments	10,132	99,324	12,401	5,241	843	120	5,697	133,758
Total Receivables	<u>\$ 11,061</u>	<u>\$ 117,721</u>	<u>\$ 14,195</u>	<u>\$ 5,504</u>	<u>\$ 1,088</u>	<u>\$ 120</u>	<u>\$ 5,697</u>	<u>\$ 155,386</u>
Investments:								
Bonds	\$ 234,169	\$ 2,295,538	\$ 286,602	\$ 121,117	\$ 19,486	\$ 2,766	\$ 338,143	\$ 3,297,821
Equity Investments	712,121	6,980,825	871,570	368,321	59,258	8,409	903,552	9,904,056
Venture Capital	80,602	790,130	98,648	41,689	6,707	952	—	1,018,728
Real Estate	94,027	921,732	115,079	48,632	7,824	1,110	—	1,188,404
Mortgage Loans	291	2,851	355	151	24	3	—	3,675
Investment Contracts	—	—	—	—	—	—	40,723	40,723
Total Investments	<u>\$ 1,121,210</u>	<u>\$ 10,991,076</u>	<u>\$ 1,372,254</u>	<u>\$ 579,910</u>	<u>\$ 93,299</u>	<u>\$ 13,240</u>	<u>\$ 1,282,418</u>	<u>\$ 15,453,407</u>

Actuarial Methods and Assumptions

The latest actuarial valuation and study was dated January 1, 1999. The actuarial accrued liability and schedule of funding progress is presented by the retirement systems for the last ten years in their separately presented financial reports based on the report generated by that study conducted by Watson Wyatt & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate of 8 percent. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's

excess or shortfall being recognized each year, beginning with the current year. All systems use the entry age actuarial cost method and the level percent of payroll amortization method. The remaining amortization period for all systems is open group, 21 years, closed period. An inflation rate of 3.5 percent is used for all systems. Post retirement cost of living adjustments are non-compounding and are based on the original benefit. The adjustments are also limited to the actual CPI increase for the year with any unusual CPI increase not met carried forward to subsequent years. Below is the Schedule of Funding Progress.

(Table presented on next page)

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Schedules of Funding Progress By Valuation Date (Expressed in Thousands)

	Contributory System	Noncontributory System	Public Safety System	Firefighters System	Judges System	Governors and Legislative Pension Plan
Actuarial Value of Assets:						
January 1, 1998	\$ 809,388	\$ 6,922,583	\$ 867,151	\$ 376,178	\$ 59,373	\$ 9,318
January 1, 1999	\$ 840,215	\$ 7,931,193	\$ 988,800	\$ 423,405	\$ 67,998	\$ 9,988
December 31, 1999	\$ 928,340	\$ 9,187,297	\$ 1,146,331	\$ 483,374	\$ 78,130	\$ 10,946
Actuarial Accrued Liability (AAL):						
January 1, 1998	\$ 880,499	\$ 7,654,335	\$ 952,100	\$ 384,975	\$ 62,406	\$ 6,998
January 1, 1999	\$ 891,983	\$ 8,335,731	\$ 1,034,147	\$ 407,703	\$ 67,211	\$ 7,278
December 31, 1999	\$ 909,136	\$ 9,029,082	\$ 1,122,248	\$ 436,588	\$ 72,409	\$ 7,272
Unfunded Actuarial Accrued Liability (UAAL):						
January 1, 1998	\$ 71,111	\$ 731,752	\$ 84,949	\$ 8,797	\$ 3,033	\$ (2,320)
January 1, 1999	\$ 51,768	\$ 404,538	\$ 45,347	\$ (15,702)	\$ (787)	\$ (2,710)
December 31, 1999	\$ (19,204)	\$ (158,215)	\$ (24,083)	\$ (46,786)	\$ (5,721)	\$ (3,674)
Funding Ratios:						
January 1, 1998	91.9%	90.4%	91.1%	97.7%	95.1%	133.2%
January 1, 1999	94.2%	95.1%	95.6%	103.9%	101.2%	137.2%
December 31, 1999	102.1%	101.8%	102.1%	110.7%	107.9%	150.5%
Annual Covered Payroll:						
January 1, 1998	\$ 138,231	\$ 2,200,988	\$ 195,464	\$ 51,287	\$ 9,286	\$ 468
January 1, 1999	\$ 137,042	\$ 2,365,650	\$ 212,414	\$ 54,326	\$ 9,388	\$ 468
December 31, 1999	\$ 137,561	\$ 2,499,087	\$ 226,057	\$ 57,561	\$ 10,104	\$ 468
UAAL as a Percent of Covered Payroll:						
January 1, 1998	51.4%	33.2%	43.5%	17.2%	32.7%	(495.7)%
January 1, 1999	37.8%	17.1%	21.3%	(28.9)%	(8.4)%	(579.1)%
December 31, 1999	(14.0)%	(6.3)%	(10.7)%	(81.3)%	(56.6)%	(785.0)%

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

B. Teachers Insurance and Annuity Association

The Teachers Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), privately administered defined-contribution retirement plans, provide individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university and applied technology center faculty. Benefits to retired employees are generally based on the value of the individual contracts and the

estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total current year required contribution and the amount paid is 14.2 percent of the employee's annual salary. Most of the employers contribute both the employer and the employee share of 7.1 percent. The State has no further liability once annual contributions are made.

The following table presents the State of Utah's actual employer contributions to the TIAA-CREF retirement system:

State of Utah's Employer Contributions
For the Years Ended June 30, 1999 and 2000
(Expressed in Thousands)

	Contribution Required and Paid 1999	Contribution Required and Paid 2000
Primary Government	\$ 612	\$ 633
Component Units:		
College and University	66,084	78,486
Total	<u>\$ 66,696</u>	<u>\$ 79,119</u>

C. Travelers Insurance Retirement Plan

There are 156 employees of the Department of Workforce Services (General Fund) participating in the Travelers Insurance Plan, which is a deposit fund administered retirement plan. The employer payments are fully funded through federal revenues from the U.S. Department of Labor.

The contribution is 7.0 percent of the employee's annual salary, of which 3.05 percent is paid by the employee, and 3.95 percent is paid by the employer for the employee. The employer is also contributing to prior service costs. Retirement benefits are computed using salary, age, and years of service.

According to the latest periodic actuarial valuation on January 1, 2000, the present value of future retirement benefits is \$163.878 million, and the unfunded liability is \$11.936 million. Net assets available for benefits are \$153.319 million. The unfunded liability represents cost-of-living increases on benefits. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.50 percent for 2000 and 1999.

The State of Utah's actual current year employer contributions, including prior year service costs, to the Travelers Retirement Plan from the General Fund in fiscal years ended June 30, 2000 and 1999, were \$2.355 million and \$2.227 million, respectively.

NOTE 17. POSTEMPLOYMENT BENEFITS

At the option of the individual state departments, employees may be offered a retirement incentive program, as set forth in Section 67-19-14(2) of the *Utah Code Annotated, 1953*, as amended. In order to qualify, the employee must be eligible to receive retirement benefits. Upon retirement most employees, including those age 65 and over, may be paid for 25 percent of unused accumulated sick leave at the employee's current rate of pay. In addition, the employee may receive health and life insurance coverage up to age 65, but not to exceed five years. If the employee has not reached age 65 after the five-year limitation is reached, they may exchange one sick leave day in excess of 60 days, after the 25 percent payout, for one month of paid health and life insurance coverage, or after age 65 spouse health insurance to age 65, or Medicare supplemental insurance for the employee or spouse. As of June 30, 2000, there were 1,309 individuals on the program. The insurance coverage is paid 100 percent by the State.

The State has estimated a liability for current employees who will eventually retire in addition to an estimated liability for employees who have already retired. The liability for postemployment benefits and compensated absences of \$280.952 million is funded from designated accrued taxes, and \$31.144 million is unfunded and reported in the General Long-Term Obligation Account Group. The ongoing payments for postemployment benefits and compensated absences are charged to state agencies as benefits are earned. For the year ended June 30, 2000, the governmental fund postemployment

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

benefits portion of the cumulative liability was \$189.353 million, and \$20.379 million in postemployment benefits expenditures were recognized. The State Retirement Office (Pension Trust Funds) liability of \$1.659 million is funded by the State Retirement Office.

All employers who participate in the State Retirement Systems are eligible to participate in the Public Employees Long-Term Disability Program per Section 49-9-203 of the *Utah Code Annotated, 1953*, as amended. Employees of those state agencies who participate in the program and meet long-term disability eligibility receive benefits for the duration of their disability up to the time they are eligible for retirement or until age 65. Benefits begin after a three month waiting period and are paid 100 percent by the program. As of June 30, 2000, there are 393 state employees receiving benefits. The program is funded by paying premiums to the Employees Group Insurance Fund (Internal Service Fund), where assets are set aside for future payments. For the year ended June 30, 2000, the State paid \$3.741 million in premiums and the program has \$66.995 million in assets.

The colleges and universities offer early retirement incentives, as approved by their boards of trustees, which may provide health, dental, and life insurance; incentive pay or stipends; or long-term disability. Eligibility requirements differ, depending on the college or university. In general, the employee must be at least 55-60 years of age with a minimum of 15-16 years of service. Some of the colleges and universities also require that the sum of the employee's age and years of service be at least 75. The employee may receive these benefits up to age 65 but not to exceed 5-10 years. The ranges for incentive and stipend pay are from 14.28 percent to 30 percent of the employee's salary upon retirement. The benefits are funded on a pay-as-you-go basis. As of June 30, 2000, there are 441 individuals participating in the programs, and \$6.138 million was expended during the year. The total liability for postemployment benefits and compensated absences in the College and University Funds at June 30, 2000, was \$50.623 million. The postemployment benefits portion of the cumulative liability was \$13.704 million.

NOTE 18. RISK MANAGEMENT AND INSURANCE

It is the policy of the State of Utah to periodically assess the proper combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished by the State through the Risk Management and Employees Group Insurance Funds (Internal Service Funds). The Risk Management Fund manages the general property and liability risk of the State, and the Employees Group Insurance Fund manages the health insurance programs of the State. The University of Utah and Utah State University (Colleges and Universities – Component Units) each maintain self-insurance funds to manage health care. The University of Utah also maintains self-insurance funds to manage auto/physical damage, and medical malpractice liabilities.

The State has determined that the risk funds can economically and effectively manage the State's risks internally and have set aside assets for claim settlement. The risks are covered through reserves and commercial insurance for excessive losses. The State has not had any losses or settlements that exceeded the commercial excess insurance coverage for any of the last three years. The risk funds service all claims for risk of loss to which the State is exposed, including general liability, property and casualty, group medical and dental, and some environmental claims. They also service the general risk claims for many local school districts and local health departments within the State. All funds, agencies, and public authorities of the State may participate in the State's Risk Management and Employees Group Insurance Funds. The risk funds allocate the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency, public authority, or employee, based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experiences.

Risk Management and Employees Group Insurance Fund claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated and include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines and insurance benefits, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities are recomputed periodically by actuaries to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Inflation is included in this calculation because reliance is based on historical data that reflects past inflation and other appropriate modifiers. Risk Management claims liabilities are reported at an 80 percent statistical confidence level discounted at 6.35 percent. Employees Group Insurance Fund long-term disability benefit reserves are reported using a discount rate of 7 percent.

The State covers its workers' compensation risk by purchasing insurance from The Workers' Compensation Fund (Component Units – Proprietary Funds). The University of Utah and Utah State University report claim liabilities if it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The University of Utah and the University Hospital have a "claims made" umbrella malpractice insurance policy in an amount considered adequate by its respective administrations for catastrophic malpractice liabilities in excess of the trusts' fund balances. Amounts for the current year are included below.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ended June 30, 1999, and June 30, 2000:

STATE OF UTAH

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2000

Changes in Claims Liabilities (Expressed in Thousands)

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
Risk Management:				
1999.....	\$ 36,231	\$ 9,504	\$ 8,024	\$ 37,711
2000.....	\$ 37,711	\$ 8,726	\$ 9,577	\$ 36,860
Employees Group Insurance:				
1999.....	\$ 51,598	\$ 167,701	\$ 158,233	\$ 61,066
2000.....	\$ 61,066	\$ 226,705	\$ 219,647	\$ 68,124
College and University Self-Insurance:				
1999.....	\$ 15,472	\$ 63,519	\$ 62,713	\$ 16,278
2000.....	\$ 16,278	\$ 83,434	\$ 78,868	\$ 20,844

The Workers' Compensation Fund (Component Units – Proprietary Funds) cedes reinsurance to other insurance companies to limit the exposure arising from large losses. It retains liability on the first \$250 thousand of each loss, while reinsurers are liable between \$250 thousand and \$10 million on individual claims (up to an annual aggregate of \$10 million on losses over \$2 million) and up to \$110 million on occurrences involving multiple claimants.

NOTE 19. SUBSEQUENT EVENTS

On July 13, 2000, the University of Utah issued \$17.585 million of Research Facilities Revenue and Refunding Bonds Series 2000A. Principal on the bonds is due annually commencing April 1, 2001, through April 1, 2020. Interest on the bonds is due semiannually commencing April 1, 2001 at rates ranging from 5.00 percent to 5.75 percent. Proceeds from the bonds were used to refund \$10 million of Research Facilities Revenue and Refunding Bonds Series 1999A and to provide additional funding for equipment and improvements in the Huntsman Cancer Institute facility.

The Student Loan Purchase Program issued additional Student Loan Revenue Bonds under the authority of the 1988 Revenue Bonds General Indenture, Tenth Supplemental Indenture in the amount of \$128.5 million dated August 29, 2000. The bonds are special obligation bonds of the Board and are secured, as provided by the indentures, by all assets of the 1988 Revenue Bond Fund and the revenues and receipts derived from such assets.

Subsequent to June 30, 2000, the Utah Housing Finance Agency issued \$15.5 million Single-Family Mortgage Purchase Variable Rate Bonds, 2000 Series E, maturing on July 1, 2031, and January 1, 2032, interest at a variable rate adjusted weekly, and issued \$9.5 million Single-Family Mortgage Purchase Fixed Rate Bonds, 2000 Series E, maturing on July 1, 2010, and January 1, 2015, and 2027, at interest rates of 6.00 percent, 6.15 percent, and 7.28 percent respectively. The Agency also issued \$4.03 million Multi-Family Bonds for the Holiday Village Apartments.

STATE OF UTAH

COMBINING STATEMENT OF PLAN NET ASSETS DEFINED BENEFIT PENSION PLANS AND OTHER PENSION TRUST FUNDS

June 30, 2000

(Expressed in Thousands)

	Contributory System	Non- contributory System	Public Safety System	Fire- fighters System
Assets				
Cash and Cash Equivalents	\$ 20,935	\$ 205,201	\$ 25,634	\$ 10,829
Receivables:				
Member Contributions	377	—	143	257
Employer Contributions	552	18,397	1,651	6
Court Fees and Fire Insurance Premiums	—	—	—	—
Investments	10,132	99,324	12,401	5,241
Total Receivables	11,061	117,721	14,195	5,504
Investments:				
Bonds	234,169	2,295,538	286,602	121,117
Equity Investments	712,121	6,980,825	871,570	368,321
Venture Capital	80,602	790,130	98,648	41,689
Real Estate	94,027	921,732	115,079	48,632
Mortgage Loans	291	2,851	355	151
Investment Contracts	—	—	—	—
Total Investments	1,121,210	10,991,076	1,372,254	579,910
Fixed Assets:				
Land	141	1,380	172	72
Buildings and Improvements	794	7,776	971	409
Machinery and Equipment	339	3,319	414	175
Accumulated Depreciation	(534)	(5,229)	(653)	(275)
Total Fixed Assets	740	7,246	904	381
Total Assets	1,153,946	11,321,244	1,412,987	596,624
Liabilities				
Vouchers Payable	9,662	94,714	11,825	4,997
Leave/Postemployment Benefits	131	1,288	160	68
Securities Lending Liability	109,719	1,075,564	134,286	56,749
Insurance Reserves	3,919	38,577	4,796	2,027
Total Liabilities	123,431	1,210,143	151,067	63,841
Fund Balances				
Employee Deferred Compensation	—	—	—	—
Reserved For Pension Benefits	1,030,515	10,111,101	1,261,920	532,783
Total Fund Balances	\$ 1,030,515	\$ 10,111,101	\$ 1,261,920	\$ 532,783

Judges System	Governors and Legislative Pension Plan	Deferred Compensation 401(k) Plan	Total June 30, 2000
<u>\$ 1,743</u>	<u>\$ 248</u>	<u>\$ 811</u>	<u>\$ 265,401</u>
—	—	—	777
61	—	—	20,667
184	—	—	184
<u>843</u>	<u>120</u>	<u>5,697</u>	<u>133,758</u>
<u>1,088</u>	<u>120</u>	<u>5,697</u>	<u>155,386</u>
19,486	2,766	338,143	3,297,821
59,258	8,409	903,552	9,904,056
6,707	952	—	1,018,728
7,824	1,110	—	1,188,404
24	3	—	3,675
<u>—</u>	<u>—</u>	<u>40,723</u>	<u>40,723</u>
<u>93,299</u>	<u>13,240</u>	<u>1,282,418</u>	<u>15,453,407</u>
12	2	—	1,779
66	10	—	10,026
28	4	—	4,279
<u>(44)</u>	<u>(7)</u>	<u>—</u>	<u>(6,742)</u>
<u>62</u>	<u>9</u>	<u>0</u>	<u>9,342</u>
<u>96,192</u>	<u>13,617</u>	<u>1,288,926</u>	<u>15,883,536</u>
804	114	4,755	126,871
11	1	—	1,659
9,130	1,296	24,730	1,411,474
<u>326</u>	<u>47</u>	<u>—</u>	<u>49,692</u>
<u>10,271</u>	<u>1,458</u>	<u>29,485</u>	<u>1,589,696</u>
—	—	1,259,441	1,259,441
<u>85,921</u>	<u>12,159</u>	<u>—</u>	<u>13,034,399</u>
<u>\$ 85,921</u>	<u>\$ 12,159</u>	<u>\$ 1,259,441</u>	<u>\$ 14,293,840</u>